2021 ANNUAL REPORT

VITESCO TECHNOLOGIES GROUP 2021

> Sales at €8.3 billion
> Free cash flow at €113.3 million
> Equity ratio of 36.3%

KEY FIGURES

€ million	**2021**	2020	Δ as a %
Sales	8,348.5	8027.7	4.0
EBITDA	523.9	252.9	107.2
As % of sales	6.3	3.2	
EBIT	39.5	–324.3	112.2
As % of sales	0.5	–4.0	
Net income attributable to the shareholders of the parent	–122.0	–376.7	67.6
Basic earnings per share in €	–3.05	n. a.	
Diluted earnings per share in €	–3.05	n. a.	
Adjusted sales[1]	8,348.5	8,016.6	4.1
Adjusted EBIT[2]	148.6	–94.5	257.2
As % of adjusted sales	1.8	–1.2	
Free cash flow	113.3	–455.7	124.9
Net debt	–345.1	–405.7	14.9
Gearing ratio as a %	12.8	15.3	
Equity	2,688.3	2,648.6	1.5
Equity ratio as a %	36.3	32.9	
Number of employees (as at Dec. 31)[3]	37,488	40,490	–7.4
Dividend per share in €	–[4]	–	
Stock price at year end[5] in €	43.20	–	
Stock price 52-week high[5] in €	66.88	–	
Stock price 52-week low[5] in €	37.50	–	

1) Adjusted for changes in the scope of consolidation.
2) Adjusted for amortization of intangible assets from purchase-price allocation, changes in the scope of consolidation, and special effects.
3) Excluding apprentices/trainees.
4) Subject to approval at the Annual General Meeting on May 5, 2022.
5) Vitesco Technologies stock as quoted in the Deutsche Börse AG XETRA system.

OVERVIEW OF THE VITESCO GROUP AND KEY FIGURES FOR 2021

Vitesco Technologies Group

Sales: €8,348.5 million; employees: 37,488

Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing
Sales: €587.1 million Employees: 4,025	Sales: €3,535.9 million Employees: 15,685	Sales: €3,217.2 million Employees: 15,004	Sales: €1,050.0 million Employees: 2,759
> High-Voltage Electronics > High-Voltage Drive > Mild Hybrid Drive > Battery	> Drivetrain > Electronics > Hydraulics > Nonautomotive > Turbocharger	> Exhaust & Emission Sensors > Transmission & Engine Sensors > Actuators > Fluid-Control Systems > Catalysts & Filters > Vitesco Technologies Aftermarket	> Contract manufacturing for the Continental Group

KEY FIGURES FOR BUSINESS UNITS

	Electrification Technology			Electronic Controls			Sensing & Actuation			Contract Manufacturing		
€ million	**2021**	2020	Δ as a %	**2021**	2020	Δ as a %	**2021**	2020	Δ as a %	**2021**	2020	Δ as a %
Sales	587.1	405.9	44.6	3,535.9	3,636.8	–2.8	3,217.2	2,917.2	10.3	1,050.0	1,099.3	–4.5
EBITDA	–266.2	–326.8	18.5	339.4	232.0	46.3	422.9	228.2	85.3	158.5	115.1	37.7
As % of sales	–45.3	–80.5		9.6	6.4		13.1	7.8		15.1	10.5	
EBIT	–233.7	–400.9	41.7	63.8	–26.6	339.8	236.5	45.8	416.4	103.7	53.0	95.7
As % of sales	–39.8	–98.8		1.8	–0.7		7.4	1.6		9.9	4.8	
Adjusted sales[1]	587.1	405.9	44.6	3,535.9	3,636.8	–2.8	3,217.2	2,906.1	10.7	1,050.0	1,099.3	–4.5
Adjusted EBIT[2]	–273.0	–345.7	21.0	117.2	85.6	36.9	269.2	107.7	150.0	42.7	53.5	–20.2
As % of adjusted sales	–46.5	–85.2		3.3	2.4		8.4	3.7		4.1	4.9	

1) Adjusted for changes in the scope of consolidation.
2) Adjusted for amortization of intangible assets from purchase-price allocation, changes in the scope of consolidation, and special effects.

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LETTER FROM THE CEO

Dear Shareholder,

If were to say to you that 2021 was by far the most exciting and emotional year of my career so far, I would not be exaggerating. My colleagues on the Executive Board feel the same way. Working together with a dedicated team full of passion and pioneering spirit, we formed a new company out of the former drive-systems division of Continental AG and put it on its own feet. Welcome to Vitesco Technologies, your partner for sustainable transportation.

The publication you are reading right now is a very special one for us as it is our first annual report as our own publicly traded company. It has been twelve months since we presented the Vitesco Technologies vision and strategy to you during our first Capital Market Days event. After successfully being accepted for trading, our listing and quotation on the Frankfurt Stock Exchange on September 16, 2021 marked Vitesco Technologies' triumphant beginning as an independent company. It was also one of Germany's larger initial public offerings in recent years, with a transaction volume of just under €2.4 billion.

The spin-off from Continental AG also resulted in our Supervisory Board expanding to 16 members and the Vitesco Technologies Executive Board gaining new appointments in October, too. The first quarterly figures report followed in November along with a decision to admit the Company to the SDAX in December 2021.

We are moving in a clear direction with a consistent focus on climate-friendly drive systems. We have already invested intensively in futuristic technologies for electric vehicles in recent years, and most of our sales will come from electrification products by 2030. Despite all its challenges, the 2021 fiscal year showed us that our strategy is the right one.

Our transformation strategy, which represents our path to the future – a future with fewer conventional drive technologies and more electrification – is based on four cornerstones. The first is rapid growth in the electric-vehicle market, while the second is our position as a pioneer with an extensive product portfolio for electrified drive systems. The third cornerstone is a tangible transformation plan for conventional drive technologies, one which recognizes that certain technologies will fade away while others will still be needed for years to come. Our fourth cornerstone is the financial strength that we have, which enables our planned transformation from within.

We believe firmly that we will be a winner thanks to our excellent market position and high level of innovativeness.

We never view our business success in isolation, either. We assess it from a comprehensive perspective that factors in our corporate social responsibility, which you will see in our first, soon-to-be-published sustainability report. It will show our achievement and progress on sustainability-related matters in a transparent, understandable, and measurable way, in environmental terms as well as social and financial ones.

In our opinion, we are on a good path – even if the COVID-19 pandemic has left its impacts on us. Shortages of raw materials, frayed supply chains, and localized lockdowns remain challenges for us and we are responding to them with determination and a focus on solutions, through close and collegial dialog with our suppliers and customers. Our shared success is based on mutual trust and clearly defined values, all of which are qualities that you, our esteemed shareholders, demonstrate to us, too. For this I wish to express to you my greatest thanks on behalf of the entire Vitesco Technologies workforce.

Yours sincerely,

Andreas Wolf

MEMBERS OF THE EXECUTIVE BOARD

(Left to right: Klaus Hau, Andreas Wolf, Werner Volz, Ingo Holstein, and Thomas Stierle)

Andreas Wolf, Chief Executive Officer
Born in 1960 in Nordhorn, Germany
Chief Executive Officer,
Acting Head of Electronic Controls
Appointed until September 30, 2024

Werner Volz, Chief Financial Officer
Born in 1958 in Steinberg (Staig), Germany
Group Finance and Controlling,
Group Compliance, Law, and Intellectual Property,
Head of Contract Manufacturing
Appointed until September 30, 2024

Ingo Holstein, Chief Human Resources Officer
Born in 1966 in Hanover, Germany
Group Human Relations,
Director of Labor Relations, Group Sustainability
Appointed until September 30, 2024

Klaus Hau, Executive Board member
Born in 1964 in Würzburg, Germany
Head of Sensing & Actuation
Appointed until September 30, 2024

Thomas Stierle, Executive Board member
Born in 1969 in Leipzig, Germany
Head of Electrification Technology
Appointed until September 30, 2024

VITESCO TECHNOLOGIES SHARE

A SUCCESSFUL LISTING FOR VITESCO TECHNOLOGIES GROUP AG

The 2021 fiscal year will go down as a milestone in the history of Vitesco Technologies. With the successful stock listing after spinning off from Continental AG, September 16, 2021 marked the start of a new era as an independent company. It also represented one of Germany's larger initial public offerings in recent years, with a transaction volume of €2.4 billion.

The first price at which shares in Vitesco Technologies Group AG were traded was €59.80, before closing their first day of trading at €58.90. The stock price's development during the first few weeks of trading was characterized by relatively high volatility, which was attributable in particular to the initial change in the shareholder structure. Several institutional investors, especially passive index funds, were forced to dispose of their stakes in Vitesco Technologies due to their investment specifications.

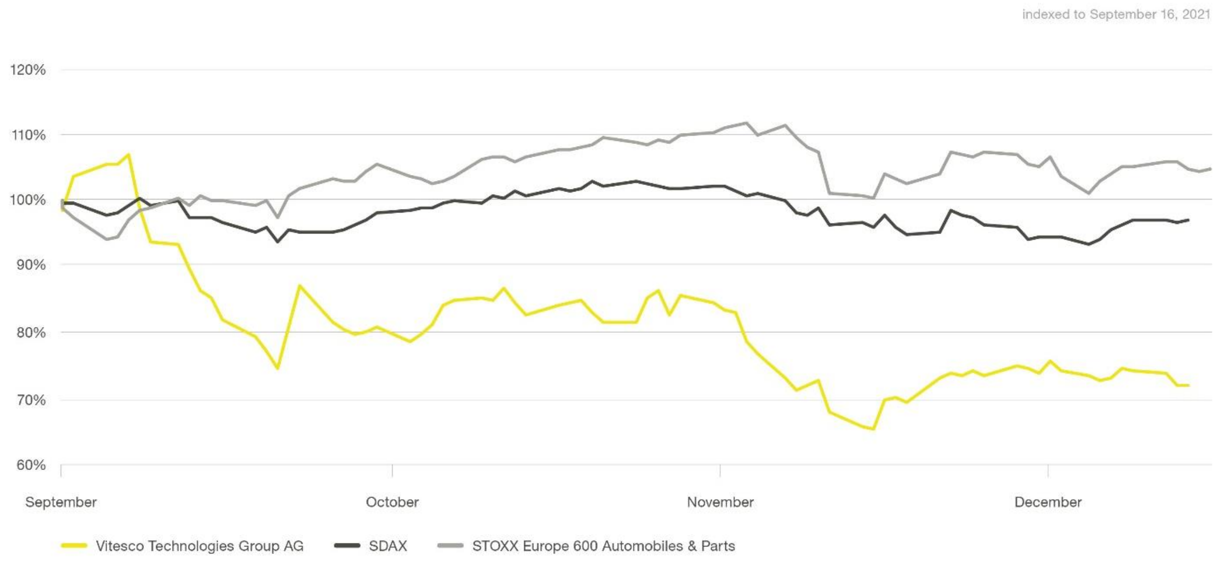
The price started to stabilize at around €50.00 as the fourth quarter progressed. The first-ever publication of the Group's own quarterly results in November did not produce any lasting change in the shares' price. However, the publication of an ad hoc notice by Continental AG on November 17, 2021 caused Vitesco Technologies' share to drop down to a closing price of €39.20 on November 30, 2021. The ad hoc notice from Continental AG was connected to investigations by Hanover's district attorney regarding the usage of illegal defeat devices in diesel engines. Based on the agreements made between Vitesco Technologies and Continental AG as part of the spin-off, Vitesco Technologies has an obligation to indemnify companies within the Continental Group for costs and liabilities attributable to the business units that were transferred to Vitesco Technologies.

The share price saw a positive correction of roughly 10% in December for a closing price of €43.20 on the last day of trading in the 2021 stock-market year, 26.7% lower than its closing price on the first day of trading.

Admission to the SDAX, Germany's index for small-cap stocks, requires meeting criteria for free-float market capitalization as well as liquidity in share trading, both of which Vitesco Technologies fulfilled on December 3, 2021. Accordingly, Vitesco Technologies' share was admitted with effect from December 20, 2021 following a regular review of the indexes.

Unlike the Vitesco Technologies share, which was influenced by factors relating to the spin-off, the SDAX's performance was largely stable during the period from Vitesco Technologies' initial listing to year end and the index only saw minor losses. After interim growth to over 17,300 points by mid-November, the first few reports of the increasing spread of the COVID-19 Omicron variant darkened the mood on trading floors significantly. The SDAX subsequently fell below a mark of 15,650 points before rallying to 16,415 points at year end, a slight decrease of 3.1% on September 16, 2021.

Vitesco Technologies share price in 2021 relative to selected indexes



The STOXX Europe 600 Automobiles & Parts index performed similarly to the SDAX and mostly remained stable in the period between Vitesco Technologies' initial listing and year end 2021. The diminished capacity of manufacturers and suppliers to supply goods, given the global chip shortage, was the predominant topic in the automotive industry in 2021 and influenced year-end performance. The STOXX Europe 600 Automobiles & Parts rose to over 700 points by mid-November with expectations of progressively increasing chip availability. However, reports about the increasing spread of the COVID-19 Omicron variant subsequently dampened the optimism in this sector, too. The STOXX Europe 600 Automobiles & Parts was valued at 659.72 points at year end, a slight increase of 4.6% by the end of the comparison period. This can be seen as an indication of a slight recovery of global automotive production in 2022 despite the spreading Omicron variant.

Special effects resulted in negative earnings per share

The Group's net income attributable to shareholders of the parent company came to –€122.0 million in the reporting period. The reasons for this were the slow progress of business recovery because of the global chip shortage, the associated increase in operating expenditure, and charges resulting from special effects and depreciation of €109.1 million from purchase-price allocations. These charges chiefly consisted of costs associated with the spin-off and listing, allowances, and provisions and liabilities based on the Group's separation agreement. They were counteracted by reversals of impairment losses in Electrification Technology and disposal proceeds from the spin-off. As a result, earnings per share fell to –€3.05 (previous year: n. a.).

Distribution of retained earnings for fiscal 2021

A resolution for appropriating profits will not be required at the 2022 Annual General Meeting as the annual financial statements for Vitesco Technologies Group AG recognize retained profits of €0.00. There will not be a motion proposing a dividend for the 2021 fiscal year at the Annual General Meeting on May 5, 2022. A dividend was not paid for the 2020 fiscal year since Vitesco Technologies was still part of Continental AG at that time.

Free float at 49.0% at year end

The Group's free float, as defined by Deutsche Börse AG, was at 49.0% at year end 2021 after initially running up to 54.0% with the initial listing on September 16. The most recent change occurred on December 3, 2021 when ASW Privatstiftung increased its total interest to 5.0% of voting rights. Exceeding the 5-percent threshold meant that Vitesco Technologies needed to consider ASW Privatstiftung as a major shareholder within the meaning of the Deutsche Börse AG definition. Its common-stock holding is therefore no longer classified as floating stock.

Vitesco Technologies' market capitalization was €1,729 million at the end of the 2021 stock-market year. Market capitalization based on free float averaged €863 million over the last 20 trading days of the reporting period. The trading volume on XETRA totaled €615 million in the period from September 16 to the end of December 2021. An average of roughly 160,000 shares were traded on XETRA per day of trading between listing and year end 2021, equivalent to about 0.4% of the shares outstanding. Among the 70 SDAX stocks, Vitesco Technologies' was ranked 32nd by free-float market cap at year end 2021.

Largest floating-stock holdings in the UK and US

Vitesco Technologies identified the distribution of Vitesco Technologies' floating share among its 50 largest floating-share holders at year end by analyzing the shareholder list. Of the free float of 19.6 million shares, 12.5 million of them held in the form of shares or alternatively as American depositary receipts (ADRs) in the US were able to be matched with the 50 largest shareholders.

The interests held by shareholders from the UK, as calculated based on the shareholder list, accounted for 12.7% of the total stock. US-based shareholders held 11.8% of the floating stock. Top-50 shareholders based in Germany held 2.1% of the floating stock, followed by shareholders in Switzerland (1.3%), Norway (0.9%), and France (0.8%).

The 46.0% interest held by the IHO Group and the 5.0% interest of ASW Privatstiftung are not considered part of the floating stock.

VITESCO TECHNOLOGIES STOCK DATA

Type of stock	No-par-value registered shares
German stock exchange (regulated market)	Frankfurt (Prime Standard)
German securities code number (WKN)	VTSC01
ISIN	DE000VTSC017
Reuters ticker symbol	VTSCn.DE
Bloomber ticker symbol	VTSC:GR
Index membership	SDAX
Shares outstanding as at December 31, 2021	40,021,196
Free float as at December 31, 2021	49.0%

Capital stock of €100.1 million

Vitesco Technologies Group AG had subcribed capital of €100,052,990.00 at the end of the 2021 fiscal year. It is divided into 40,021,196 no-par-value registered shares with a notional value of €2.50 per share. Each share has the same dividend entitlement.

In line with Article 20 of the Vitesco Technologies Group AG Articles of Incorporation, each share grants one vote at the Annual General Meeting. The current Articles of Incorporation are available on the Internet at ir.vitesco-technologies.com under Corporate Governance.

Vitesco Technologies stock quotation

Vitesco Technologies' share is quoted on the Regulated Market of the Frankfurt Stock Exchange, operated by Deutsche Börse. It is also traded on other unofficial stock exchanges in Germany and in other countries around the world.

Vitesco Technologies American depositary receipt (ADR) quotation

In addition to being listed on the Frankfurt Stock Exchange, Vitesco Technologies' stock is traded in the US as part of a sponsored ADR program on the over-the-counter (OTC) market. It has not been admitted to a US stock exchange. Five American depositary receipts are equivalent to one Vitesco Technologies share.

VITESCO TECHNOLOGIES AMERICAN DEPOSITARY RECEIPT (ADR) DATA

Ratio	1 share : 5 ADRs
CUSIP number	92853L108
ISIN	US92853L1089
Bloomber ticker symbol	VTSCY
ADR level	Level 1
Trading	Over the counter (OTC)
Depositary bank	Deutsche Bank Trust Company Americas

Vitesco Technologies Investor Relations online

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

KEY FIGURES FOR VITESCO TECHNOLOGIES' STOCK[1]

€ (unless otherwise specified)	**2021**	2020
Basic earnings per share	–3.05	n. a.
Diluted earnings per share	–3.05	n. a.
Dividend per share	–[2]	–
Dividend-payout ratio (%)	n. a.	–
Dividend yield[3]	–[2]	–
Annual average price-to-earnings (P/E) ratio[4]	n. a.	–
Stock price at year end	43.20	–
Stock price 52-week average	48.28	–
Stock price 52-week high	66.88	–
Stock price 52-week low	37.50	–
Number of shares outstanding, average (in millions)	40.0	n. a.
Number of shares outstanding as at Dec. 31 (in millions)	40.0	n. a.

1) All market prices are quotations for Vitesco Technologies' stock as provided in the Deutsche Börse AG XETRA system.
2) Subject to approval at the Annual General Meeting on May 5, 2022.
3) Dividend per share at the 52-week average price.
4) Net income per share at the 52-week average price attributable to the shareholders of the parent.

CORPORATE GOVERNANCE

REPORT FROM THE SUPERVISORY BOARD

Dear Shareholder,

The 2021 fiscal year saw the completion of the Vitesco Technologies Group's spin-off from Continental AG and the listing of Vitesco Technologies Group AG, the Group's new parent company. The former members of the Supervisory Board vacated their positions as part of this spin-off. The local court assessed the Supervisory Board's composition and found that it was subject to Germany's Codetermination Act (*MitbestG*, MitbestG), for which reason the number of Supervisory-Board members was increased to 16 in line with statutory requirements. New shareholder representatives were elected at the Annual General Meeting and workforce representatives were appointed by the relevant court, with all representative roles taking effect as of the spin-off. The Supervisory Board comprehensively discharged all duties incumbent upon it under applicable laws and the Company's Articles of Incorporation and bylaws during the reporting period. We closely oversaw, carefully monitored, and advised the Executive Board on matters relating to the management of the Company. We have satisfied ourselves of the legality, propriety, and suitability of this management. We were directly involved in a timely manner in all decisions of fundamental importance to the Company.

The Executive Board provided the Supervisory Board with regular, timely, and comprehensive updates at its meetings and in writing on all issues of relevance to the Company. In particular, these issues include business performance, planning, business strategy, significant business transactions for the Company and the Group, risks and opportunities associated with these transactions, and compliance issues. The members of the Supervisory Board were also available to the Executive Board for consultation outside the meetings. As Chairman of the Supervisory Board, I had regular contact with the Executive Board and the Chief Executive Officer in particular, and regularly discussed with them current Company issues and developments.

The COVID-19 pandemic affected the work of the Supervisory Board in a variety of ways. The Supervisory Board and its committees were only able to hold one in-person meeting, on October 4, 2021, due to restrictions on in-person contact and travel. All other meetings were held virtually, which meant that the attendees connected through a secure online communication platform, could follow the presentations on screen, and contribute to the discussions at any time. The Supervisory Board held a total of five meetings in 2021. At its meetings, the Supervisory Board usually also had discussions without the Executive Board being present. The October meeting involved the election of a Chairman for the Supervisory Board and his deputy as well as members and, if required, chairpersons for the Conciliation Committee under MitbestG § 27(3), Chairman's Committee, Audit Committee, Nomination Committee, Related-Party Transaction Committee, and Technology Committee. A resolution was also passed at the meeting on December 10, 2021 to establish an ad hoc committee for emissions-related issues, the Ad Hoc Emissions Committee, with effect from January 1, 2022. The Chairman's Committee held one meeting during the reporting period, the Audit Committee met twice, and the Nomination Committee did not have a meeting. The Conciliation Committee pursuant to MitbestG § 27(3) did not need to become active in 2021 and there were no meetings of the Related-Party Transaction or Technology Committees in this time either. There were no further committees in the 2021 fiscal year. All committees report to the full Supervisory Board on a regular basis. The corporate-governance statement in the chapter of the same name describes the board's duties in more detail and names its members.

In fiscal 2021, the members of the Supervisory Board attended all full-board meetings and all meetings of the committees to which they belonged. A detailed record of each Supervisory Board member's meeting attendance will be published under

“Corporate Governance” in the “Investors” section of the Company’s website with the invitation to the Annual General Meeting.

Key topics dealt with by the Supervisory Board and Chairman’s Committee

The Executive Board provided the Supervisory Board with detailed information about the development of sales, profit, and employment within the Group and individual business units and about the Company’s finances at each meeting of the full Supervisory Board in the time following the spin-off from Continental AG and Vitesco Technologies Group AG’s assumption of its position as the Group’s top-level parent company. The Executive Board provided detailed explanations if actual business performance varied from the defined plans and targets. It held in-depth discussions with the Supervisory Board regarding the reasons for these variances and the measures initiated. Moreover, the Executive Board provided regular information about the situation in the Group’s key raw-material and sales markets, particularly in regard to the constrained supply of chips, and about the development of the Vitesco Technologies Group AG stock price.

Meetings prior to the spin-off from Continental AG

A Supervisory-Board meeting was held on March 9, 2021. The topics discussed included the appointment of new Executive-Board members and the establishment of a new remuneration system for members of the Executive Board. The remuneration system is described in detail in the remuneration report. Andreas Wolf, Werner Volz, and Ingo Holstein were chosen as new members of the Executive Board by a unanimous vote. Andreas Wolf was appointed Chief Executive Officer. Simultaneously, it was unanimously agreed that previous Executive-Board members Dr. Ulrike Schramm and Dr. Christian zur Nedden would step down from their positions. Additionally, the Supervisory Board discussed and approved the Company’s annual financial statements for the 2020 fiscal year as presented by the Executive Board and audited by KPMG AG Wirtschaftsprüfungsgesellschaft (“KPMG”). The audit performed by KPMG was a voluntary one.

At its meeting on March 18, 2021, the Supervisory Board approved the spin-off and transfer agreement and Group-separation agreement between Continental AG and Vitesco Technologies Group AG after conferring about the spin-off of Vitesco Technologies. Furthermore, the Supervisory Board discussed and passed resolutions for increasing the capital with the spin-off and for amending the Articles of Incorporation as well as for corresponding proposals for the Annual General Meeting. It was in this context that the Executive Board, in accordance with German Stock-Corporation Act (*Aktiengesetz*, AktG) § 92, informed the Supervisory Board about the existence of a net loss worth half of the capital stock at that time. Provisions needed to be created as the Company had undertaken to pay half of the costs for the joint spin-off report, spin-off audit, and audits in conjunction with the noncash capital increase and postformation acquisition and to pay by itself the costs for the planned listing and associated costs for such things as consultants, banks, and other service providers, even if the liabilities were conditional on the effectiveness of the spin-off. This meant that the Company incurred a net loss of an amount equal to half of the Company’s capital stock at that time.

Another Supervisory-Board meeting took place on June 10, 2021 where a resolution was passed to propose at the Annual General Meeting that KPMG be the auditor of the separate and consolidated financial statements and to perform an auditor’s review of the interim financial reports for the 2021 fiscal year. In addition, the Supervisory Board passed a resolution to propose at the Annual General Meeting that the Articles of Incorporation be amended as provided in the spin-off and transfer agreement.

On August 9, 2021, the then-Chairman of the Supervisory Board awarded KPMG, the auditor chosen at the Annual General Meeting, the mandate to audit the annual and consolidated financial statements for 2021 as well as the dependent-company report. On September 14, 2021, KPMG was also hired to audit the Group's combined nonfinancial statement.

Prof. Siegfried Wolf

Meetings after the spin-off from Continental AG

At the Supervisory Board's first meeting after the spin-off from Continental AG, on October 4, 2021, the Supervisory Board elected Prof. Siegfried Wolf as Chairman of the Supervisory Board and Ralf Schamel as Deputy Chairman. It also adopted bylaws for the Supervisory Board and Executive Board. Moreover, the Supervisory Board established and made appointments to all the committees required by law or under the Articles of Incorporation or bylaws. Ingo Holstein was appointed Director of Labor Relations alongside his role as Chief Human Resources Officer.

The Supervisory Board also appointed Klaus Hau and Thomas Stierle as additional members of the Executive Board, effective immediately and until September 30, 2024, and defined the individual components of their remuneration. The Remuneration Report chapter describes the remuneration system for Executive-Board members in detail. The Supervisory Board established a target for women on the Executive Board in accordance with Germany's Second Leadership-Position Act (*Zweites Führungspositionen-Gesetz*, FüPoG II), consisting of at least one woman when the Executive Board is made up of more than three members. This target is planned to be achieved within the next three years and no later than October 1, 2024. Finally, the Supervisory Board passed resolutions setting a profile of skills and expertise for the Supervisory Board and diversity policies for the Supervisory and Executive Boards.

At its meeting on December 10, 2021, the Supervisory Board dealt in particular with the formation of an Ad Hoc Emissions Committee, a resolution to issue a promissory note, a slim-down of the Group's structure by dissolving Vitesco Technologies 1. Beteiligungs GmbH & Co. KG and Vitesco Technologies 2. Beteiligungs GmbH & Co. KG, the annual planning for 2022, the long-term planning for 2023 through 2026, and the plan for capital expenditure and investment in 2022. With regard to the Executive Board's remuneration, there were also resolutions defining the short-term incentive (STI) for 2022 and the long-term incentive (LTI) for 2022 to 2025 and adjusting the LTI for 2020 and 2021.

At its meeting on December 9, 2021, the Chairman's Committee discussed, among other things, setting up an ad hoc committee for emissions-related issues and recommended this to the Supervisory Board. Further, the Chairman's Committee prepared a resolution on the Executive Board's remuneration for the Supervisory Board and recommended a definition of targets for the 2022 STI and 2022 to 2025 LTI and adjustments for the 2020 and 2021 LTI.

Key topics dealt with by the Audit Committee

Since the spin-off, the Executive Board informed the Audit Committee in detail and on an ongoing basis about the development of sales, profit, and employment within the Group and individual business units and about the Company's finances. The Executive Board is assisted by the Head of General Accounting and Head of Central Controlling & Reporting, who can provide the Audit Committee with information directly at its meetings. In addition, the Chairwoman of the Audit Committee maintains regular contact with the Chief Financial Officer and the auditor outside the meetings.

At its meeting on November 5, 2021, the Audit Committee discussed the most recent end-of-quarter accounting and the outlook for the overall year with the Executive Board. In the same meeting, the Audit Committee also spoke about the "key audit matters" with the auditor and approved the contracting of KPMG for the substantive testing of the remuneration report for the 2021 fiscal year. The Audit Committee also approved KPMG performing authorized nonaudit services for IHO in its preparation for the inclusion of the Vitesco Technologies Group directly within the IHO consolidated financial statements. The Audit Committee further approved KPMG performing the following nonaudit services in 2021: voluntary audits of the annual financial statements of material holding companies, audit of financial covenants, and audit of Closing Pilot (an IT and process tool).

Moreover, the Audit Committee discussed the work performed by the Compliance department and Internal Audit as well as the reporting about material risks. This includes in particular the matters described in more detail in the risk and opportunity report and in the notes to the consolidated financial statements. The Head of Compliance & Antitrust and Head of Internal Audit are also available to provide information directly to the Audit Committee and its Chairwoman in coordination with the Executive Board. The Chairwoman of the Audit Committee shares key information as part of her regular reporting to the full Supervisory Board. In addition, the Executive Board reports to the Audit Committee on the material risks identified through the risk-management system and the corresponding measures decided on. The Audit Committee has satisfied itself of the effectiveness of the internal control system, the risk-management system, and the internal audit system.

At its meeting on December 15, 2021, the Executive Board provided the Audit Committee with extensive information about the investigations opened by the Frankfurt am Main and Hanover district attorneys into the allegations of using illegal defeat devices.

Corporate Governance

At its meeting in December 2021, the Supervisory Board agreed to a statement in accordance with AktG § 161 on the recommendations of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*). The statement is based on the new version of the code published on December 16, 2019. In line with the code's recommendations, the Supervisory Board also approved the "Targets for the Composition of the Supervisory Board." There were no conflicts of interest for members of the Supervisory Board during the reporting period. In its opinion, the Supervisory Board also had at all times in the reporting period an appropriate number of independent members, especially on the shareholder side, as per the definition in the code. Further information about this and about corporate governance in general can be found in the Corporate-Governance Statement chapter.

Annual and consolidated financial statements; Group's combined nonfinancial statement for 2021

KPMG audited the annual financial statements as at December 31, 2021, prepared by the Executive Board in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*, HGB), and included the accounts, the accounting-related internal control system, and the system for early risk recognition. KPMG also audited the 2021 consolidated financial statements and the combined management report for the Company and the Group. The 2021 consolidated financial statements of Vitesco Technologies Group AG were prepared in accordance with the International

Financial Reporting Standards (IFRS). The auditor issued unqualified opinions. In terms of the system for early risk recognition, the auditor found that the Executive Board had taken the necessary measures under AktG § 91(2) and that the Company’s system for early risk recognition is suitable for identifying developments at an early stage that pose a risk to the Company as a going concern. In addition, KPMG audited the Executive Board’s report on relations with affiliated companies pursuant to AktG § 312 (dependent-company report). KPMG issued the following unqualified opinion on this report in accordance with AktG § 313(3):

- The actual information included in the report is correct.
- With respect to the transactions listed in the report, payments by the Company were not unduly high and detrimental effects had been compensated for.
- There are no circumstances justifying a significantly different assessment than that made by the Executive Board in regard to the measures listed in the report.

The Audit Committee discussed the documents relating to the annual financial statements, including the dependent-company report, and the auditor’s reports with the Executive Board and the auditor on March 10, 2022. Furthermore, the full Supervisory Board discussed them at length at its meeting to approve the annual financial statements on March 22, 2022. The discussions also concerned the combined nonfinancial statement for the Vitesco Technologies Group and Vitesco Technologies Group AG according to HGB § 289b/§ 315b. The required documents were distributed to all members of the Audit Committee and the Supervisory Board in good time before these meetings so that the members had sufficient opportunity to review them. The auditor was present at these discussions. The auditor reported on the main results of the audits and was available to provide additional information to the Audit Committee and the Supervisory Board. Based on its own review of the annual financial statements, the consolidated financial statements, the combined management report of Vitesco Technologies Group AG and of the Group, as well as the dependent-company report including the final declaration of the Executive Board, and based on the report and the recommendation of the Audit Committee, the Supervisory Board concurred with the results of the auditor’s audit. There were no objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements and therefore adopted the annual financial statements. KPMG issued an unqualified opinion for the Group’s combined nonfinancial statement. Based on the Supervisory Board’s own review, the Audit Committee’s report with its preliminary examination and recommendation, and KPMG’s audit and unqualified opinion on the Group’s combined nonfinancial statement, the Supervisory Board finds that the Group’s combined nonfinancial statement is correct and appropriate and was prepared in accordance with HGB §§ 315b and 315c in conjunction with §§ 289c through 289e.

A resolution for appropriating profits will not be required at the 2022 Annual General Meeting as the annual financial statements for Vitesco Technologies Group AG recognize retained profits of €0.00. For this reason, there will not be a motion proposing a dividend for the 2021 fiscal year at the Annual General Meeting on May 5, 2022.

Personnel changes on the Supervisory Board and Executive Board

The first Supervisory Board of Vitesco Technologies Group AG was appointed when the Company was established on December 11, 2019 and consisted of three members in accordance with the Articles of Incorporation. The three members were Johannes Suttmeyer (Chairman), Cornelia Stiewing (Deputy Chairwoman), and Holger Siebenthaler. The members of this first Supervisory Board were reelected at the Annual General Meeting on February 27, 2020. The three members’ positions ended with effect from the time that the spin-off’s recording in the Company’s commercial registration took effect. After the local court assessed the Supervisory Board’s composition, it was expanded to 16 members, of whom 8 must be elected by shareholders and 8 by employees. An Extraordinary General Meeting was held on August 25, 2021, at which Prof. Hans-Jörg Bullinger, Manfred Eibeck, Susanne Heckelsberger, Joachim Hirsch, Prof. Sabina Jeschke, Klaus Rosenfeld, Georg F.W. Schaeffler, and Prof. Siegfried Wolf were appointed as members of the Supervisory Board with effect from the time the spin-off was recorded in the Company’s registration. The positions of the Supervisory-Board members representing the shareholders will end on conclusion of the 2022 Annual General Meeting. The workforce representatives, Carsten Bruns, Lothar Galli, Yvonne Hartmetz, Michael Köppl, Erwin Löffler, Ralf Schamel, Kirsten Vörkel, and Anne Zeumer, were appointed to their positions by the relevant court for the longest period possible by law.

The first Supervisory Board appointed Dr. Ulrike Schramm and Dr. Christian zur Nedden as ordinary members of the Executive Board with immediate effect on the day that Vitesco Technologies Group AG was founded on December 11, 2019. The two Executive-Board members stepped down from their positions with effect from the end of March 8, 2021. On March 9, 2021, the Supervisory Board appointed Andreas Wolf, Werner Volz, and Ingo Holstein as ordinary members of the Executive Board and Andreas Wolf as Chief Executive Officer. Each of their positions on the Executive Board will end on September 30, 2024. At its meeting on October 4, 2021, the Supervisory Board also appointed Klaus Hau and Thomas Stierle as members of the Executive Board. Their positions will also end on September 30, 2024.

More details about the members of the Supervisory Board and Supervisory-Board committees who held positions during the reporting period can be found in the chapters Members of the Executive Board and Their Positions and Members of the Supervisory Board and Their Positions.

The Supervisory Board would like to thank the Executive Board, all the employees, and the workforce representatives for their considerable dedication over the past year.

Regensburg, March 22, 2022

For the Supervisory Board

Yours sincerely,

Prof. Siegfried Wolf

CORPORATE-GOVERNANCE STATEMENT PURSUANT TO HGB § 289F

THE ACTIONS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD ARE BASED ON RESPONSIBLE CORPORATE GOVERNANCE

The basis of the actions of the Vitesco Technologies Group AG Executive and Supervisory Boards is responsible corporate governance that seeks to create value sustainably and meet the interests of all stakeholder groups connected to the Company. The following report presents the corporate governance at Vitesco Technologies.

AktG § 161 statement and deviations from the German Corporate Governance Code

The Executive and Supervisory Boards made the following annual statement pursuant to AktG § 161 in December 2021:

"In accordance with AktG § 161, the Executive and Supervisory Boards of Vitesco Technologies Group AG must state each year that the recommendations of the German Corporate Governance Code Commission, as published in the official section of the Federal Gazette by the Federal Ministry of Justice and Consumer Protection, have been and are being met, or which recommendations were or are not practiced and why they were/are not. Because the stock of Vitesco Technologies Group AG was incorporated into trading on the Regulated Market of the Frankfurt Stock Exchange for the first time on September 16, 2021, the Company had previously not made any statement of compliance. The Executive Board and Supervisory Board of Vitesco Technologies Group AG hereby state in accordance with AktG § 161 that all recommendations of the German Corporate Governance Code, as amended on December 16, 2019 ("GCGC"), have been and are being met since the stock-market listing on September 16, 2021, save for the following deviations:

GCGC recommendation C.2: According to GCGC recommendation C.2, an age limit shall be specified for members of the Supervisory Board and disclosed in the corporate-governance statement. The Supervisory Board currently does not define an age limit. The Supervisory Board does not believe that the ability to supervise and advise the Executive Board in its management of business is tied schematically to a given age limit. The age mix on the Company's Supervisory Board is balanced. Vitesco Technologies Group AG therefore relies on a high degree of expertise from experienced and well-established Supervisory-Board members in line with its diversity policy for the Supervisory Board.

GCGC recommendation C.4: According to GCGC recommendation C.4, a Supervisory-Board member who is not a member of any executive board of a listed company shall not accept more than five supervisory-board mandates at nongroup listed companies or comparable roles, with an appointment as chair of a supervisory board being counted twice. In connection with the spin-off of Vitesco Technologies Group AG on September 15, 2021, Prof. KR Siegfried Wolf was elected to the Supervisory Board of Vitesco Technologies Group AG and was elected as Chairman of the Supervisory Board of Vitesco Technologies Group AG on October 4, 2021. As a result, Prof. Wolf exceeds the recommended limit on supervisory-board positions under recommendation C.4 in the code. Prof. Wolf announced that he was going to resign from one of these positions at the end of December 2021. Consequently, the Supervisory Board does not believe that the appropriateness of its composition is compromised as he only exceeded the recommended limit on supervisory-board positions temporarily.

GCGC recommendation C.5: According to GCGC recommendation C.5, members of the management board of a listed company shall not have, in aggregate, more than two supervisory-board mandates at nongroup listed companies or comparable roles, and shall not accept the chairmanship of a supervisory board at a non-Group listed company. In connection with the spin-off of Vitesco Technologies AG on September 15, 2021, Mr. Klaus Rosenfeld, among others, was elected to the Supervisory Board of Vitesco Technologies Group AG. Because Mr. Rosenfeld is the Chief Executive Officer of Schaeffler AG and holds supervisory-board positions at two other non-Group listed companies, he exceeds the recommended limit on supervisory-board positions under recommendation C.5 in the code. Mr. Rosenfeld has already declared his resignation from the position that exceeds this limit. His resignation is planned to be effective as of the end of February 2022.

Regensburg, December 2021

Prof. Siegfried Wolf — Andreas Wolf

Supervisory Board Chairman — Chief Executive Officer”

The statement pursuant to AktG § 161 is published in the “Investors” section of the Company’s website at ir.vitesco-technologies.com. Each previous corporate-governance statement is also made available on this website for at least five years.

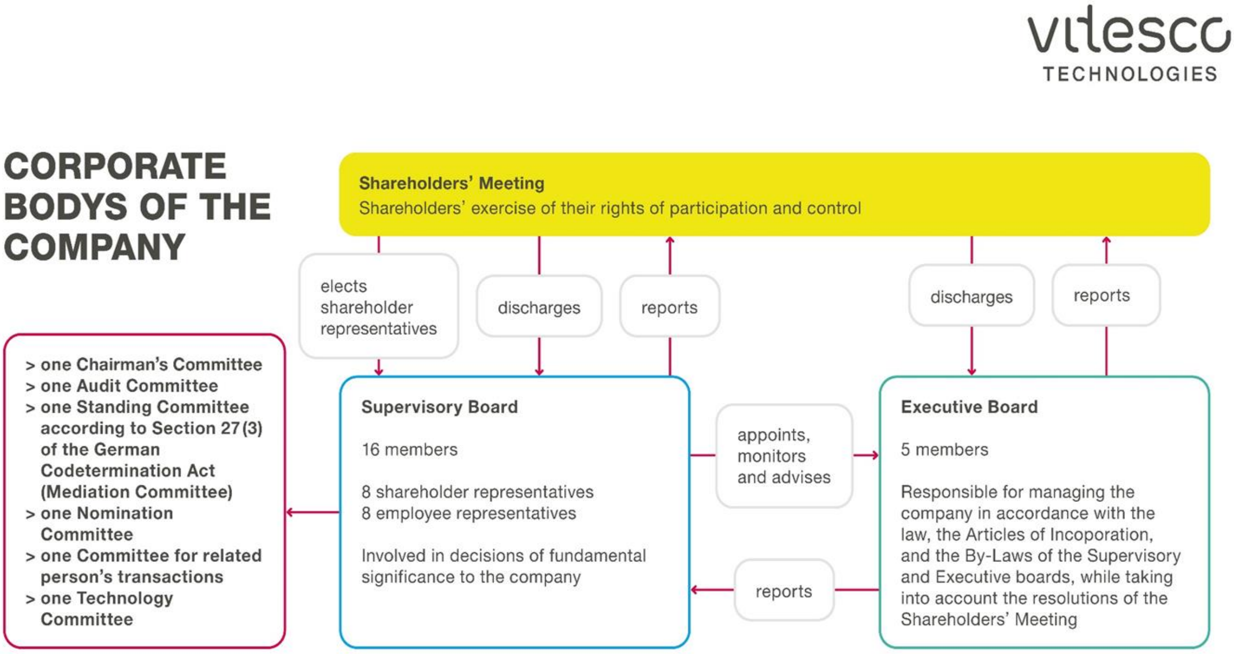
Key corporate-governance practices

The following documents are key foundations of our sustainable and responsible corporate governance:

- Passionate, partnering, and pioneering are the corporate values of Vitesco Technologies Group AG.
  Our mission, vision, corporate values, and actions based on them are the foundation of our corporate culture.
  The Vitesco Technologies mission and vision are published on the Company’s website in the “Company” section (ir.vitesco-technologies.com), while our corporate values are in the “Careers” section (ir.vitesco-technologies.com).
- The Corporate Human Rights Policy can be found in the “Sustainability” section of the Company’s website (ir.vitesco-technologies.com).
- Code of Conduct and Business-Partner Code of Conduct. The Group publishes these codes of conduct in the “Company” section on its website (ir.vitesco-technologies.com). They define the conduct that is expected of the Group’s employees and business partners in relation to ethical and legal matters. More information about compliance can be found in the Compliance chapter and online in the “Company” section of the Company’s website (ir.vitesco-technologies.com).

Governing bodies of the Company

In accordance with statute law and its Articles of Incorporation, the governing bodies of Vitesco Technologies Group AG are its Executive Board, its Supervisory Board, and its shareholders acting at its Annual General Meeting. As a German stock corporation, Vitesco Technologies Group AG has a dual-management system characterized by a strict personnel division between the Executive Board as the management body and the Supervisory Board as the monitoring body. The graphical overview on the next page describes how the Executive Board, Supervisory Board, and shareholders at the Annual General Meeting interact.



The Executive Board and how it works

The Executive Board has sole responsibility for managing the Company in the interests of the Company, free from instructions given by third parties and in accordance with the law, the Articles of Incorporation, and the Executive Board's bylaws, while taking into account resolutions from Annual General Meetings.

Only under exceptional circumstances do members of the Executive Board have their position renewed prior to one year before the planned end date of their position and simultaneously have their current position dissolved. Further details about the members of the Executive Board can be found in the chapter Members of the Executive Board and Their Positions and online in the "Company" section of the Company's website (ir.vitesco-technologies.com).

The Executive Board has bylaws that, in particular, regulate key matters pertaining to the Company and its subsidiaries where a decision by the full Executive Board is required, the duties of the Executive-Board chairman, and the process in which the Executive Board passes resolutions. The Executive Board's bylaws are published in the "Investors" section of the Company's website (ir.vitesco-technologies.com). The Supervisory Board's bylaws, which are based on the Articles of Incorporation, provide that the Supervisory Board must approve any significant actions taken by management.

All members of the Executive Board share joint responsibility for the management of the Company. Regardless of this principle of joint responsibility, each Executive-Board member is individually responsible for the areas entrusted to him or her. The Chief Executive Officer is responsible for the Company's overall management and business policy. Andreas Wolf was appointed Chief Executive Officer of Vitesco Technologies Group AG on March 9, 2021. In this role, he ensures the coordination and consistency of management by the Executive Board and represents the Company in dealings with the public. The Executive Board jointly develops the Company's strategy, coordinates it with the Supervisory Board, and ensures its implementation.

The Executive Board currently has five members. Following the spin-off, a member is usually only appointed for three years if it is his or her first time being appointed. Individuals aged 67 or higher are not normally appointed as members of the Executive Board.

The Supervisory Board and how it works

The Supervisory Board appoints the members of the Executive Board and collaborates with the Executive Board to develop a long-term succession plan. The Supervisory Board discusses this at least once a year without the Executive Board. In order to become acquainted with potential successor candidates, the Supervisory Board, in consultation with the Executive Board, offers them the opportunity to deliver presentations to the Supervisory Board.

The Supervisory Board supervises and advises the Executive Board in its management of the Company. The Supervisory Board is directly involved in decisions of material importance to the Company. As specified by statute law, the Articles of Incorporation, and the Supervisory Board's bylaws, certain corporate-management matters require the approval of the Supervisory Board. The Chairman of the Supervisory Board coordinates its work and represents its concerns in dealings with third parties. He maintains regular contact with the Executive Board between meetings, and in particular with the Chief Executive Officer, to discuss issues relating to the Company's strategy, business development, risk management, and compliance.

Composition of the Supervisory Board

The Supervisory Board comprises 16 members in accordance with Germany's Codetermination Act and the Company's Articles of Incorporation. Half the members of the Supervisory Board are elected individually by the shareholders at the Annual General Meeting (making them shareholder representatives), while the other half are elected by the employees of Vitesco Technologies Group AG and its German subsidiaries (making them workforce representatives). Both the shareholder representatives and the workforce representatives are bound equally to act in the interests of the Company. The Supervisory Board's Chairman must be a shareholder representative. He can cast a second vote in the event of any tie.

The current Supervisory Board was constituted on October 4, 2021. The Supervisory-Board members who represent the shareholders have been appointed to positions lasting until the end of the 2022 Annual General Meeting. The workforce representatives have been appointed by the relevant court for the longest period possible by law. The Chairman of the Supervisory Board is Prof. Siegfried Wolf, who, in accordance with the German Corporate Governance Code, is independent of the Company and its Executive Board. The Supervisory Board does not include any members who previously belonged to the Executive Board of Vitesco Technologies Group AG, who exercise an executive function or advisory role at a major competitor of Vitesco Technologies, or who have a personal relationship with such a competitor.

At its inaugural meeting on October 4, 2021, the Supervisory Board was given an overview of the organization and the key product categories of Vitesco Technologies. Furthermore, there are plans to conduct professional-development and training activities for the members of the Supervisory Board on the topics of finance, management accounting, and corporate governance in the future.

The Supervisory Board has drawn up its own bylaws. Within the framework provided by law and the Articles of Incorporation, they include, among other things, more detailed provisions about Supervisory-Board meetings, confidentiality obligations, handling conflicts of interest, and the Executive Board's reporting obligations as well as a list of transactions and actions that require the approval of the Supervisory Board. The Supervisory Board's bylaws are available online in the "Investors" section of the Company's website (ir.vitesco-technologies.com). The Supervisory Board holds discussions on a regular basis, including without the presence of the Executive Board. Before each regular meeting of the Supervisory Board, the shareholder and workforce representatives each meet separately with members of the Executive Board to discuss the upcoming meeting.

It is set in the Supervisory Board’s bylaws that it must regularly evaluate how effectively the Supervisory Board overall and its committees have fulfilled their duties. Given that the Supervisory Board and its committees only began their work according to the current bylaws after the spin-off on September 15, 2021 and inaugural meeting on October 4, 2021, it was not able to conduct a self-evaluation during the reporting period.

Profile of skills and expertise for the Supervisory Board

The Supervisory Board of Vitesco Technologies Group AG specifies concrete targets for its composition and has developed a profile of skills and expertise for the entire board in accordance with recommendation C.1 of the German Corporate Governance Code.

The Supervisory Board must be composed in such a way that its members possess the knowledge, skills, and professional experience necessary for properly discharging the duties of a corporation with international operations. This does not mean that each individual Supervisory-Board member must have all the necessary knowledge and experience. Rather, at least one Supervisory-Board member must be viewed as having skills and expertise for each material aspect of the Supervisory Board’s work, with the result that the Supervisory-Board members overall, including the workforce representatives and taking into account the special circumstances of their codetermination rights, provide the necessary knowledge and experience.

The Supervisory Board of Vitesco Technologies Group AG is intended to consist of individuals who, as a whole, provide a variety of fields of expertise that can be used to ensure comprehensive and effective advising and supervision of the Executive Board in relation to the overall business activities of Vitesco Technologies Group AG.

In the assessment of the Supervisory Board, material fields of expertise include:

> Leadership or supervision experience at companies with international operations
> An understanding of the Company’s key areas of activity and the markets associated with them
> An awareness of the Company’s strategy and strategic development in the future, including when considering any market requirements that may change
> Knowledge of codetermination rights
> Knowledge of finance, accounting, auditing, billing, compliance, or risk management
> Distinct experience in the fields of technological research and development, industrial manufacturing, or service
> Distinct experience in the fields of sales, service, or marketing for drive technologies and products associated with them
> Knowledge of corporate social responsibility (CSR)
> Knowledge of digital transformation and Industry 4.0
> Key knowledge of stock-market and stock-corporation laws and of financial markets

Furthermore, the requirements of AktG § 100(5) make it necessary that at least one member of the Supervisory Board and of the Audit Committee has expertise in accounting and at least one additional member of the Supervisory Board and of the Audit Committee has expertise in auditing annual financial statements (together “financial experts”). The Supervisory-Board members as a whole must be familiar with the drive-solution industry, the transformation of internal-combustion technology into electric vehicles, and the products associated with this transformation.

The Supervisory Board has specified the following targets for appointments to the overall board:

> Diversity

In relation to its composition, the Supervisory Board will take care to include both genders appropriately, incorporate varying types of professional and international experience, and ensure that there are members with many years of relevant experience (diversity). These criteria reflect the diversity policy that applies to the Supervisory Board, which is described below. Vitesco Technologies Group AG is a listed stock corporation subject to the provisions of Germany's Codetermination Act, so at least 30% of its Supervisory Board will consist of women and at least another 30% men, in accordance with the specifications of AktG § 96(2). The Supervisory Board is intended to have an appropriate number of members on the shareholder side whom it deems to be independent in accordance with the German Corporate Governance Code. The Nomination Committee was mandated by the Supervisory Board to assess the independence of the shareholder representatives in accordance with the German Corporate Governance Code and to determine compliance with the targets for the proportion of independent shareholders. As determined by the Nomination Committee, the Supervisory Board has an appropriate number of members on the shareholder side who are independent in accordance with the German Corporate Governance Code.

> International expertise

Given the international operations of the Vitesco Technologies Group, the Supervisory Board will take care that it has a sufficient number of members with many years of international experience.

> Independence and potential conflicts of interest

The Supervisory Board will have members who are independent within the meaning of recommendation C.6 of the German Corporate Governance Code in a number that it deems appropriate. The Nomination Committee was given the task of assessing the independence of the shareholder representatives in accordance with the German Corporate Governance Code and to determine compliance with the targets for the proportion of independent shareholder representatives. More than one-half of the shareholder representatives are intended to be independent of the Company and its Executive Board. Additionally, at least two shareholder representatives are intended to be independent of the controlling shareholder if the Supervisory Board has more than six members.
The shareholder representatives currently on the Supervisory Board are, without exception, all independent of Vitesco Technologies Group AG and its Executive Board. The shareholder representatives independent of the controlling shareholder, the IHO Group, are:

- Prof. Hans-Jörg Bullinger
- Manfred Eibeck
- Susanne Heckelsberger
- Joachim Hirsch
- Prof. Sabina Jeschke
- Prof. Siegfried Wolf

> Time demanded for position duties

Each Supervisory-Board member will take care to ensure that he or she has sufficient time to perform his or her duties. Accordingly, the Supervisory Board finds it important that its current members, as well as Supervisory-Board candidates, have sufficient available time for preparing and following up on regular Supervisory-Board meetings, participating in these meetings, and for studying regular reports. There are heavier time demands for work done on committees, especially if chairing them. The time burden on Supervisory-Board members and candidates because of other positions on supervisory boards or monitoring committees, active employment, or other duties must be considered based on these criteria.

> Regular review/evaluation

The Nomination Committee will nominate suitable individuals whom the Supervisory Board can in turn propose for election as shareholder representatives at the Annual General Meeting. The committee will take note of these individuals' diversity. The representatives that the workforce elects to the Supervisory Board are also intended to fulfill the key criteria for this profile of skills and expertise. Furthermore, an evaluation will be conducted at regular intervals to check the extent to which the Supervisory-Board members and the composition of the Supervisory Board still meet the specified targets and to which it seems ensured overall that the Supervisory Board will duly discharge its duties in its current composition.

- In its nominations for elections to the Supervisory Board, the Supervisory Board as a rule will not nominate candidates who have already been on the board for more than twelve years at the time.
- The Supervisory Board has not stipulated an age limit as recommended in recommendation C.2 of the German Corporate Governance Code. It does not consider such a general criterion to be suitable for deciding whether a candidate is eligible to be a member of the Supervisory Board.

According to AktG § 96(2), the Supervisory Board of Vitesco Technologies Group AG is also subject to the requirement that at least 30% of its members be women and at least 30% be men. The Company reports on this further on in the section entitled Reporting Pursuant to HGB § 289f(2)(4) through (2)(6). In its nominations of candidates for election to the Supervisory Board, the Supervisory Board takes into account the requirements of the profile of skills and expertise for the board as a whole as well as the aforementioned targets. The corporate-governance statement will continue to provide regular updates on the status of the implementation of the targets.

Supervisory-Board committees

The Supervisory Board had six committees on December 31, 2021: a Chairman's Committee, an Audit Committee, a Nomination Committee, a Conciliation Committee formed in accordance with MitbestG § 27(3), a Related-Party Transaction Committee for approving Company transactions with related parties (AktG §§ 107[3] fourth sentence and 11b[1]), and a Technology Committee. The Ad Hoc Emissions Committee is effective as of January 1, 2022, too.

The Chairman's Committee is comprised of Supervisory-Board Chairman Prof. Siegfried Wolf (Committee Chairman), Manfred Eibeck, Erwin Löffler, Georg F. W. Schaeffler, Ralf Schamel, and Kirsten Vörkel.

Key responsibilities of the Chairman's Committee are preparing the appointment of Executive-Board members and concluding, terminating, and amending their employment contracts and other agreements with them. However, the full Supervisory Board alone is responsible for establishing the total remuneration of the Executive-Board members. Another key responsibility of the Chairman's Committee is deciding on the approval of certain transactions and measures by the Company as specified in the Supervisory Board bylaws. The Supervisory Board has assigned some of these participation rights to the Chairman's Committee, however, any of its members may demand that an individual matter be submitted back to the full Supervisory Board for decision. Finally, the Chairman's Committee has also been assigned the right to decide on the approval of contracts between the Company and Supervisory-Board members according to AktG § 114.

The Audit Committee's tasks relate to the Company's accounting, the audit of the financial statements, risk management, and compliance. In particular, the committee deals with the audit of the accounts, monitors the accounting process and the effectiveness of the internal control system, the risk-management system, the internal audit system, and compliance; and performs a preliminary examination of the annual financial statements and consolidated financial statements. The committee makes its recommendation to the full Supervisory Board, which then passes resolutions pursuant to AktG § 171. Furthermore, the committee discusses the Company's draft interim financial reports. It is also responsible for ensuring the necessary independence of auditors and deals with additional services performed by the auditors. The committee engages the auditors, determines the focus of the report as necessary, negotiates the fee, and regularly reviews the quality of the audit. It also recommends a candidate for the Supervisory Board to propose for election as auditor at the Annual General Meeting. The Audit Committee is also responsible for the preliminary audit of nonfinancial reporting and for the engagement of an auditor for the review of it, if any.

The Chairwoman of the Audit Committee is Susanne Heckelsberger. She is independent in all respects as defined in the German Corporate Governance Code and, as an auditor, has special knowledge and experience in the application of accounting principles and internal control procedures. Another committee member, Klaus Rosenfeld, is also a financial expert. The other members are Lothar Galli, Yvonne Hartmetz, Michael Köppl, and Georg F. W. Schaeffler.

The Chairperson of the Supervisory Board is not allowed to be the Chairperson of the Audit Committee as well. The same applies to any former Executive-Board member who was on the Executive Board in the two years preceding their appointment.

The Nomination Committee is responsible for nominating suitable candidates for the Supervisory Board to propose for election at the Annual General Meeting. In addition, the committee must propose targets for the Supervisory Board’s composition and profile of skills and expertise and review both regularly. The Nomination Committee is made up solely of shareholder representatives, namely, Prof. Siegfried Wolf, Susanne Heckelsberger, Klaus Rosenfeld, and Georg F. W. Schaeffler.

In accordance with MitbestG § 31(3) first sentence, the Conciliation Committee only becomes active if the first round of voting on a proposal to appoint a member to the Executive Board or to remove a member by mutual consent does not achieve the legally required two-thirds majority. This committee must then attempt to conciliate before a new vote is taken.

The members of the Conciliation Committee are Prof. Siegfried Wolf, Georg F. W. Schaeffler, Ralf Schamel, and Kirsten Vörkel.

The Related-Party Transaction (RPT) Committee deals with transactions between Vitesco Technologies Group AG and a related party where such transactions require the prior approval of the Vitesco Technologies Group AG Supervisory Board under AktG §§ 111a and 111b. Transactions in this case require the prior approval of the Supervisory Board. The RPT Committee consists of Joachim Hirsch (Chairman), Manfred Eibeck, Lothar Galli, and Michael Köppl.

The Technology Committee maintains a regular dialog regarding the technologies relevant to the Company and the Group, the enhancement and obtainment of these technologies, and the technological development of the Company and Group. In particular, it identifies new technological trends and developments in the market and more closely oversees the technology and innovation strategies set and pursued for the Company and Group by the Executive Board.

The Technology Committee is made up of Prof. Hans-Jörg Bullinger (Chairman), Carsten Bruns, Yvonne Hartmetz, Joachim Hirsch, Prof. Sabina Jeschke, Michael Köppl, Georg F. W. Schaeffler, and Ralf Schamel.

The Supervisory Board will establish an Ad Hoc Emissions Committee to take effect from January 1, 2022. It will be responsible for duties including supervising and advising the Executive Board in connection with exhaust- and emissions-related issues and especially on decisions and actions taken by the Executive Board in connection with the investigations being conducted by the Hanover and Frankfurt am Main district attorneys against companies including Continental AG on account of suspected involvement in developing illegal defeat devices in diesel engines.

The Ad Hoc Emissions Committee will consist of six members, of whom three will be shareholder representatives and three will be workforce representatives. The shareholder representatives on the Ad Hoc Emissions Committee will be Prof. Siegfried Wolf, Susanne Heckelsberger, and Joachim Hirsch, while the workforce representatives on it will be Ralf Schamel, Kirsten Vörkel, and Yvonne Hartmetz.

Prof. Siegfried Wolf will chair the Ad Hoc Emissions Committee.

Further details about the Supervisory Board and its committees can be found in the chapter Members of the Supervisory Board and Their Positions. Member résumés, updated yearly, are available online in the “Company” section of the Company’s website (ir.vitesco-technologies.com). These résumés also contain information about how long each member has held their position on the Supervisory Board.

Shareholders and the Annual General Meeting

The Company's shareholders exercise their rights of participation and control by attending the Annual General Meeting. The Annual General Meeting, which must be held in the first eight months of every fiscal year, decides on all issues assigned to it by law, such as the appropriation of profits, the election of shareholder representatives to the Supervisory Board, the ratification of the Supervisory Board's and Executive Board's work, the appointment of auditors, and amendments to the Company's Articles of Incorporation. Each share of the Vitesco Technologies Group AG stock entitles the holder to one vote. There are no shares conferring multiple or preferential voting rights and no limitations on voting rights.

All shareholders who register in a timely manner and provide evidence of their entitlement to participate in Annual General Meetings and to exercise their voting rights are entitled to participate in an Annual General Meeting. To simplify their exercising of their rights and to prepare them for Annual General Meetings, the shareholders are given extensive information about the past fiscal year and the points on the upcoming agenda before the Annual General Meeting takes place through the annual report and the invitation to the meeting. All documents and information concerning Annual General Meetings, including the annual report, are published on the Company's website in German and English. The full Annual General Meeting on Thursday, May 5, 2022 will be broadcast live online for correctly registered shareholders of Vitesco Technologies Group AG and their proxies, starting at 10:00 a.m. (CEST) through "HV Online-Service" in the "Investors" section on the Vitesco Technologies Group AG website (ir.vitesco-technologies.com). Beyond that, interested individuals can also follow the opening of the Annual General Meeting and the speech by the Chief Executive Officer live in the "Investors" section of the Company's website (ir.vitesco-technologies.com). When holding an Annual General Meeting, the chairperson presiding over the meeting is usually guided by an understanding that an Annual General Meeting should be concluded after four to six hours. To make it easier for shareholders to exercise their rights, the Company offers all shareholders who cannot or do not want to exercise their voting rights themselves the opportunity to vote at Annual General Meetings via a proxy who is bound by instructions. The required voting instructions can also be issued to the proxy using an online service (InvestorPortal) before the end of the general debate on the day of the Annual General Meeting.

Accounting and auditing of financial statements

The Vitesco Technologies Group's accounting is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The annual financial statements of Vitesco Technologies Group AG are prepared in accordance with the accounting regulations of the German Commercial Code. The Annual General Meeting on June 10, 2021, elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main (KPMG) to audit the separate and consolidated financial statements for fiscal 2021 and to review the Company's interim financial reports. Angelika Huber-Straßer was the auditor in charge at KPMG in 2021.

Internal control system and risk management

Diligent corporate management and good corporate governance also require that the Company deals with risks responsibly. Vitesco Technologies has a Group-wide internal control and risk-management system, especially for its accounting process, which helps analyze and manage the Company's risk. The risk-management system serves to identify and evaluate developments that could result in significant disadvantages and to avoid risks that would jeopardize the Company's status as a going concern. We report on this in detail in the risk and opportunity report, which forms part of the management report for the consolidated financial statements.

Transparent and prompt reporting

As part of our investor relations and corporate communications, we regularly report to shareholders, analysts, shareholders' associations, the media, and interested members of the public in equal measure on significant developments in the Company and its situation. All shareholders have instant access to all the information that is available to financial analysts and similar recipients.

The website of Vitesco Technologies Group AG provides the latest information, including the Company's financial reports, investor presentations, press releases, and ad hoc disclosures. The dates of key periodic publications (annual reports, quarterly statements, and half-year reports) and events as well as the dates of Annual General Meetings and financial press conferences are announced well in advance in the "Investors" section of the Vitesco Technologies Group AG website (ir.vitesco-technologies.com).

Reporting pursuant to HGB § 289f(2)(4) through (2)(6)

Definition of targets pursuant to AktG §§ 76(4) and 111(5)

In accordance with AktG § 76(4), the Executive Board of Vitesco Technologies Group AG is required to set targets for the proportion of women at the two management levels immediately below the Executive Board and a deadline for achieving these targets.

In November 2021, the Executive Board set a target of 36.4% for women at the two management levels immediately below the Executive Board at Vitesco Technologies Group AG for the period up until December 31, 2022. As Vitesco Technologies Group AG is a holding company with a small number of employees, both levels of management were consolidated for this purpose. The share of women at these two levels of management was 45.5% as at December 31, 2021. As a global enterprise, the Vitesco Technologies Group continues to attach high priority to its target of steadily increasing the proportion of women in leadership positions throughout the Group, above and beyond the legal requirements in Germany.

In accordance with AktG § 111(5), the Supervisory Board must set a target for the number of women on the Executive Board and a deadline for achieving this target. If the proportion of women is less than 30% at the time the target is set, the target must not subsequently fall below the proportion achieved. At its meeting on October 4, 2021, the Vitesco Group AG Supervisory Board established a target for women on the Executive Board in accordance with Germany's Second Leadership-Position Act (*Zweites Führungspositionen-Gesetz*, FüPoG II), consisting of at least one woman when the Executive Board is made up of more than three members. This target is planned to be achieved within the next three years and no later than October 1, 2024.

Compliance with statutory gender quotas for Supervisory Board

Vitesco Technologies Group AG is a listed stock corporation subject to the provisions of Germany's Codetermination Act, so at least 30% of its Supervisory Board must consist of women and at least another 30% men, in accordance with the principles set forth in AktG § 96(2). In terms of the composition of the Vitesco Technologies Group AG Supervisory Board, this means that it must include at least five women and five men. The Supervisory Board of Vitesco Technologies Group AG complies with these statutory quotas.

Diversity

Vitesco Technologies additionally works on promoting diversity with measures such as increasing the share of female managers within the Group. The proportion is planned to increase to 20% by 2025. Women currently account for 13.6% of all managers within the Vitesco Technologies Group.

The measures and programs for promoting an international mix and women in leadership positions also have a purpose of helping with the succession planning for the Executive Board, which the Supervisory Board oversees jointly with the Executive Board. They make it possible to identify and develop potential international or female candidates for appointment to positions on the Executive Board. The medium-term goal is to use these measures to increase the diversity of the Executive Board.

Diversity policy for the Executive Board's composition

The Supervisory Board passed the following diversity policy at its meeting on October 4, 2021. It follows the recommendations of the German Corporate Governance Code as amended on December 16, 2019.

1. Description of the diversity policy

The Supervisory Board has established the following diversity policy for the composition of the Executive Board in accordance with HGB § 289f(2)(6):

When selecting a person for a position on the Executive Board, the Supervisory Board shall take note of diversity in addition to basic aptitude criteria for the position such as personality, integrity, values, convincing leadership qualities, professional performance in the field in question, previous achievements, knowledge of the Company, and ability to develop business models and processes in a changing world. The Supervisory Board believes that diversity means the following in relation to composition:

> A sufficient mix of ages among Executive-Board members
> Different educational and professional backgrounds
> Appropriate representation of both genders

2. Objective of this diversity policy

The objective of the policy for the Executive Board is to use the benefits of diversity consciously for the Company's success, since different perspectives, areas of skill and expertise, experience backgrounds, and a balanced mix of all these characteristics are an important requirement for competitiveness and long-lasting commercial success. In particular, having diversity at all levels of the Company and within the Executive Board promotes an understanding of different and international customer expectations and of new business models.

3. Method for implementation

The Supervisory Board also considers the following perspectives for the composition of the Executive Board:

> Executive-Board members should have multiple years of leadership experience.
> Executive-Board members should, where possible, contribute experience from different professional-training pathways and career journeys.

- The Executive Board as a whole should possess technical expertise, especially knowledge and experience of manufacturing and selling drive technologies and products connected to them.
- The Executive Board as a whole should possess multiple years of experience in the fields of research and development, production, sales, finance, and personnel management.
- The Executive Board as a whole should possess international experience obtained from foreign countries and from global projects.
- There should be a general age limit of 67 (the normal retirement age) for members of the Executive Board.

Moreover, the Supervisory Board respects the statutory requirements for equal inclusion of women and men in the composition of the Executive Board. The Supervisory Board also defines a formal target of at least one woman member when the Executive Board consists of more than three members. This target is planned to be achieved within the next three years and no later than October 1, 2024.

When the Supervisory Board decides on a person for a specific Executive-Board position, it makes its decision in the Company's best interests and takes into account all the circumstances of the individual situation.

4. Current composition

In addition to multiple years' experience with the Group, the Executive-Board members bring with them extensive knowledge and experience from different roles, some of them international. The current five-member composition of the Executive Board meets the specified targets except for the desired proportion of women on the board. The Executive Board's ages currently range from 52 to 63, with an average age of 58.

Diversity policy for the Supervisory Board's composition

1. Description of the diversity policy

The Supervisory Board has furthermore resolved to seek a diverse composition, particularly with regard to age, gender, and educational and professional background.

2. Objective of the diversity policy

The objective of the diversity policy for the Supervisory Board is ensure a broad understanding of the societal and commercial demands placed on Vitesco Technologies Group AG. In particular, diversity is intended to help the Executive Board to be able to make business decisions based on different perspectives and varied experience.

3. Method for implementing the diversity concept

The Supervisory Board should be able to draw on different knowledge, skills, and experience as far as possible. For this reason, diversity must be taken into appropriate consideration for its composition and care must be taken when preparing nominations to ensure that the profiles of the individuals complement each other purposefully.

In line with statutory specifications, at least 30% of the Supervisory Board is to consist of women and at least 30% to consist of men.

4. Current composition

The current composition of the Supervisory Board meets the specified targets and fits the defined profile of skills and expertise.

LEGAL COMPLIANCE

Vitesco Technologies is shaped by its corporate values of “passionate,” “partnering,” and “pioneering,” which demand honest and responsible actions toward our stakeholders such as customers and the Company. Its management’s and employees’ compliance with all the requirements that apply to Vitesco Technologies Group AG and its subsidiaries and its internal regulations is therefore an unshakable principle of the Company’s conduct and an integral part of its corporate culture. This is not only expressed in the binding code of conduct, but also in the actions of management and all employees. The Executive Board is explicitly committed to the principles and zero-tolerance approach laid out in the code of conduct.

In particular, the Legal Compliance team is responsible for corruption prevention, money-laundering prevention, antitrust law, and the management of conflicts of interest. Other departments and/or roles work together closely on other compliance issues such as technical compliance, capital-market compliance, environmental protection, data protection, health and safety, IT security, cybersecurity, supply-chain obligations, and trade sanctions.

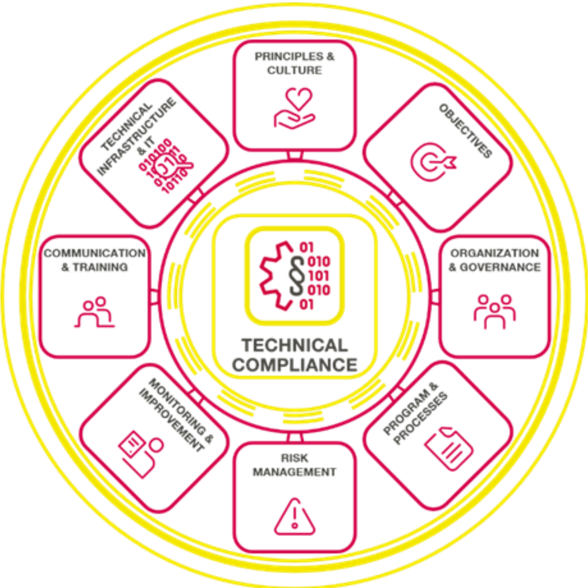
The structure of Vitesco Technologies’ legal-compliance management system (legal CMS) is based on Germany’s IDW PS 980 CMS audit standard and is described in detail in a dedicated Group-wide guideline. It is divided into these seven basic elements: culture, objectives, risks, program, organization, communication, and monitoring/improvement.

In terms of the compliance culture, which is the most important element, Vitesco Technologies makes sure that all employees practice it and give it their consistent support. This outcome is achieved with a clearly formulated “tone from the top”, a “tone from the middle”, and zero-tolerance policies as well as by creating a trust-based culture that allows any employee to speak openly about compliance-related issues. For instance, tips about potential deficiencies in any governance- or compliance-related issue not only can be reported to those in governance roles, but can also be registered through an anonymous Integrity Line which is accessible internally and externally; there is a transparent guideline that governs the responsibilities and processes for responding to such tips in compliance with data-protection law.

The objective of the legal CMS is to boost the compliance culture consistently and on an ongoing basis, to identify compliance risks, and to avoid or mitigate compliance risks with appropriate measures. The Legal Compliance team develops and publishes guidelines and relevant compliance standards in accordance with this objective to foster rule-abiding conduct. This work includes anticorruption, antitrust, and anti-money-laundering guidelines and a code of conduct for business partners. Providing tools makes it easier for employees to abide by compliance-related processes and substantive requirements. The Vitesco Technologies legal CMS involves an organizational structure for compliance roles that is adapted to the company and combines centralized elements (a Corporate Compliance Office) with decentralized ones (regional compliance officers and compliance champions). The main responsibility for the legal CMS is held by the Chief Financial Officer as part of his/her responsibility for the Legal, Compliance, and IP organizational unit. The Head of Compliance is in charge of managing the operations of the legal CMS and receives support for this from compliance officers, compliance experts, and compliance champions. The compliance champions are employees from other departments who are available locally as a first point of contact for compliance issues and are closely involved with the work done by the Compliance department. The Head of Compliance is overseen by the Chief Compliance Officer, who reports directly to the Chief Financial Officer and the Supervisory Board’s Audit Committee and determines the strategy of the Company’s Compliance areas. Additional clearly defined channels for reporting and communication ensure the necessary transparency of roles and responsibilities. Every employee can easily find all the information about all elements of the legal CMS on the global intranet and access it at any time. The compliance culture is made even stronger through regular training on compliance issues that are defined in a detailed learning program. Employees receive proactive support for legal and compliance-related matters from a central compliance help desk that can be contacted by e-mail and from the compliance officers. Legal Compliance also monitors adherence to compliance requirements regularly and on an event-specific basis. This monitoring focuses on the adequacy and effectiveness of the legal CMS. Additionally, the legal CMS is continuously enhanced in line with any vulnerabilities that are detected and in line with the risks that are identified through compliance-risk analyses.

TECHNICAL COMPLIANCE

To ensure compliance with regulatory requirements for technology, with legislation, and with national, international, and industry standards, we at Vitesco Technologies have put a special focus on technical compliance and set up a technical-compliance management system (TCMS) that is closely coordinated with the compliance management system (CMS). The TCMS, like the CMS, is based on the seven basic elements provided in IDW PS 980 and ISO 37301. However, the TCMS also adds another dimension – technical infrastructure and IT – to complement the existing ones effectively and efficiently and to integrate them into the development cycle.



The TCMS incorporates products, product-related services, compliance with all legal and regulatory requirements, and adherence to globally relevant standards throughout the product life cycle, from a product's development to the end of its life cycle. Our employees are given certainty with clear definitions of the responsibilities of business areas and individual employees, corresponding professional development and training, clear orientation from the "I use my voice" conduct motto, and the firm integration of factors related to technical compliance into our programs, processes, and tools. Vitesco Technologies has established a clearing house to resolve issues with interpretation. If needed, an internal Integrity Line can also be used anonymously. The TCMS is extensively integrated with the Company thanks to its systematic organizational structure. The department's independence and significance is ensured through a dedicated reporting line between the Head of Technical Compliance and Chief Executive Officer. The effectiveness and efficiency of the TCMS is continuously monitored, audited by an independent entity, and developed.

REMUNERATION REPORT

Introduction

This remuneration report provides a shortened description of the structure and design of the remuneration for Executive Board and Supervisory Board members at Vitesco Technologies Group Aktiengesellschaft (also referred to as the "Company" or Vitesco Technologies Group AG) in fiscal 2021. It also includes extensive disclosures of the individual remuneration awarded, due, or granted to members of the Executive and Supervisory Boards in the 2021 fiscal year. The remuneration system described here was applied as of September 15, 2021 owing to the Company's spin-off from Continental AG at that time. The remuneration disclosures therefore show the corresponding remuneration paid by the Company pro rata temporis to the members of the Executive and Supervisory Boards during the 2021 fiscal year. Prior to its spin-off any other form of executive remuneration was not awarded, due or granted by the Company.

This remuneration report was jointly prepared by the Executive Board and Supervisory Board and meets the requirements of Sec. 162 AktG as well as the recommendations and suggestions of the German Corporate Governance Code (GCGC) as amended on December 16, 2019. This remuneration report has been audited by KPMG AG Wirtschaftsprüfungsgesellschaft in accordance with the requirements under Sec. 162(3) AktG. A substantive audit was performed alongside the formal audit mandated by law. The auditor's report regarding the remuneration report is published on the Company's website under the section Corporate Governance (ir.vitesco-technologies.com).

The Company's website (ir.vitesco-technologies.com) contains an extensive description of the current system for remunerating the Executive Board and Supervisory Board as well as this remuneration report under the section Corporate Governance.

Fiscal 2021 in retrospect

The 2021 fiscal year was marked by the impacts of the Covid-19 pandemic and shortages in global supply and logistics chains. Nevertheless, Vitesco Technologies also made history last year. Its successful stock listing following the spin-off from Continental AG on September 16, 2021 represented a milestone in Vitesco Technologies' corporate history. It was also one of Germany's largest initial public offerings in recent years, with a transaction volume of roughly €2.4 billion. From that moment on, Vitesco Technologies started operating as an independent company in the dynamically growing Electric Vehicle market.

Vitesco Technologies successfully achieved significant progress in implementing its transformation in the course of fiscal 2021. This is attested to by the growth of its sales to €8.3 billion, the improvement of its net operating income (2021: €39.5 million; 2020: –€324.3 million), the increase of its return on capital employed (ROCE) to 1.6% (previous year: –11.5%), and its positive free cash flow of about €113.3 million compared to the significant cash burn in the year before. Accordingly, Vitesco Technologies was able to assert itself in a challenging market environment. What's more, organic sales in the fiscal year were up 4.1% on the previous year. The positive business development is also reflected in the target achievement of the performance bonus.

The Executive Board of Vitesco Technologies was formed in 2021. Andreas Wolf (Chief Executive Officer), Werner Volz (Chief Financial Officer), and Ingo Holstein (Chief Human Resources Officer) were appointed to the Executive Board as per March 9, 2021. The service agreements concluded between Vitesco Technologies Group AG and Andreas Wolf, Werner Volz, and Ingo Holstein each have remuneration provisions taking effect from the time of the spin-off. Klaus Hau, Head of Sensing & Actuation, and Thomas Stierle, Head of Electrification Technology, were also appointed to the Executive Board as per October 4, 2021. Consequently, the Executive Board of Vitesco Technologies Group AG consists of five members. There is currently no Head of Electronic Controls, the third business unit, which is why this business unit does not have its own member on the Executive Board. Andreas Wolf is acting in this role for the time being, while Werner Volz is in charge of the Contract Manufacturing business unit.

Remuneration governance

The Supervisory Board passed a resolution on the Executive Board’s remuneration system for fiscal 2021 as part of the spin-off of Vitesco Technologies Group AG from Continental AG on September 15, 2021. The following provides details about this system and its application in the 2021 fiscal year. The remuneration system that will be applied beginning in the 2022 fiscal year is being decided by the Supervisory Board in accordance with Sec. 87a(1) first sentence AktG and will be presented at the Annual General Meeting on May 5, 2022 in accordance with Sec. 120a(1) AktG for the shareholders’ approval. Pursuant to Sec. 87a(2) first sentence AktG, the Supervisory Board determines the remuneration for the Executive Board in accordance with the remuneration system to be approved by the Annual General Meeting.

The Supervisory Board sets specific targets before the start of the fiscal year for the performance criteria defined in the remuneration system. The Supervisory Board also determines the target remuneration for Executive Board members under the applicable remuneration system before the start of the fiscal year. In doing so, it ensures in particular that the remuneration is appropriate to the performance and tasks of each Executive Board member as well as to the Company’s overall situation and suitable for the Company’s long-term, sustainable development.

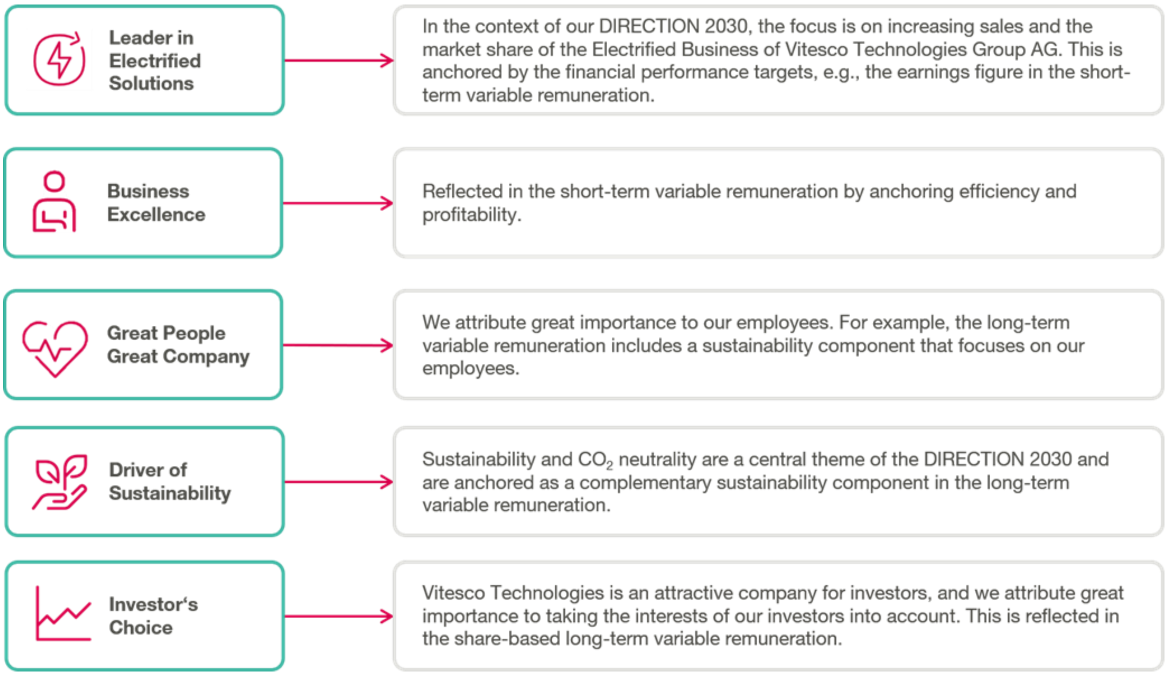
The Supervisory Board regularly checks that the Executive Board’s remuneration is appropriate and in line with customary levels. It does this by benchmarking it against a peer group of relevant external companies (horizontally) and based on the Company’s internal remuneration ratios (vertically). Adjustments are made if necessary in order to offer attractive remuneration in line with the market and within the regulatory framework.

An external, independent remuneration consultant recently checked and confirmed that the Executive Board’s remuneration in fiscal 2021 was in line with the market. Due to the Company’s size, the companies in the MDAX and SDAX were used as a mixed peer group for this purpose. An internal, vertical check was carried out, too, and took into account the ratio of Executive Board remuneration to remuneration for senior management, employees not covered by collective agreements, and employees covered by collective agreements.

Basic principles of Executive Board remuneration

Guidelines for Executive Board remuneration

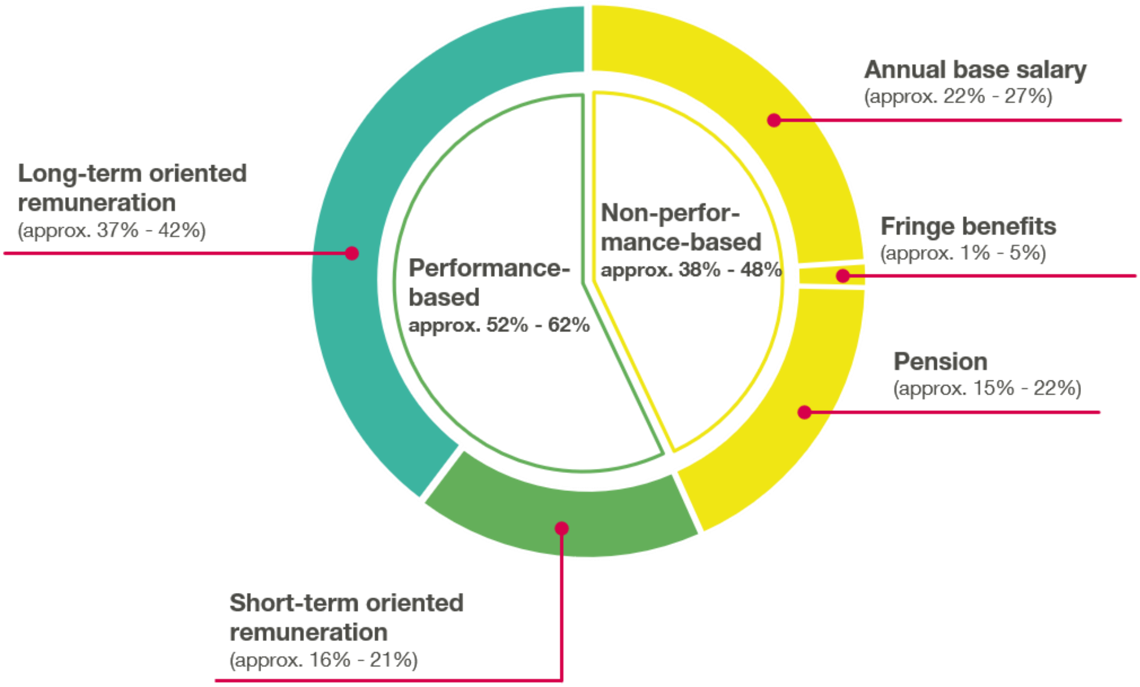
The Executive Board’s remuneration system contributes significantly to the implementation of the Company’s business strategy. It acts as an incentive for the Executive Board’s members to achieve the key strategic targets under the DIRECTION 2030 pursued by Vitesco Technologies Group AG.



In addition to this link to the corporate strategy, a close link to performance – pay for performance – is also ensured by paying predominantly variable remuneration and by integrating specific targets. Furthermore, the remuneration system meets the regulatory requirements of Germany's Stock Corporation Act and the recommendations and suggestions of the German Corporate Governance Code.

Overview of the remuneration system for Executive Board members

The remuneration of the Company's Executive Board members consists of non-performance-based (fixed) and performance-based (variable) components. The non-performance-based components comprise the annual base salary, fringe benefits, and the company pension. The performance-based remuneration consists of a one-year performance bonus along with an equity deferral for three years, and the long-term incentive (LTI) based on a four-year period. To ensure strong pay for performance, the share of performance-based remuneration components is larger than the share of non-performance-based components of the target total remuneration. Moreover, the variable, performance-based remuneration – comprised of the performance bonus with an equity deferral, and the LTI – are predominantly based on a period spanning several years. The illustration factors in individual salary ratios of the target total remuneration which vary slightly between individual Executive Board members. In total, performance-based remuneration makes up roughly 52% of the target total remuneration. The remuneration is structured as follows:



Annual base salary
(approx. 22% - 27%)
Long-term oriented remuneration
(approx. 37% - 42%)
Non-perfor-mance-based
approx. 38% - 48%
Performance-based
approx. 52% - 62%
Fringe benefits
(approx. 1% - 5%)
Pension
(approx. 15% - 22%)
Short-term oriented remuneration
(approx. 16% - 21%)

The remuneration components mainly comprise the following core elements:

Component		Description
Non-performance-based remuneration components	Annual Base Salary	> Fixed remuneration paid in twelve equal monthly amounts
	Fringe Benefits	> Mainly company car, health check-up, contributions to employers' liability insurance association, health and long-term care insurance contributions, D&O insurance
	Pension	> Annual fixed contribution to basic account, contractual vesting
Performance-based remuneration components	Performance Bonus (short-term and long-term)	> Performance targets: > Earnings Before Interest and Taxes (EBIT) > Return on Capital Employed (ROCE) > Free cash flow (FCF) > Multiplier: Personal Contribution Factor (0.8 – 1.2) > Payout: > approx. 40% of net payout in equity deferral with three year holding period > Remainder paid out in cash > Cap: 200% of target amount
	Long-Term-Incentive (long-term)	> Performance targets: > Relative Total Shareholder Return (TSR) > Sustainability Criteria > Term: four years > Payout: in cash > Cap: 200% of target amount
Further contractual clauses	Malus / Clawback	The whole variable remuneration may be reduced in part or in full (malus) or reclaimed (clawback) if it can be proven that there has knowingly been a gross breach of a duty of care within the meaning of Sec. 93 AktG, of an internal company guideline or of any other obligation under the service agreement.
	Share Ownership Guideline (SOG)	> Four-year build-up phase of shareholding (chairperson: 200%, ordinary members: 100% of annual gross base salary). > Reduction of build-up phase and SOG target in case of shortened term of service agreement > Two-year holding obligation after termination of service agreement
	Severance Cap and Non-Compete Clause	> Severance cap: amounting to two years' remuneration or the remuneration for the remaining period of the service agreement; offset against the non-compete compensation > Non-compete clause of two years including non-compete compensation of 50% of the most recently received contractual compensation

Adherence to maximum remuneration

There are two types of limits on the total remuneration, including all remuneration components illustrated, that is received by the Executive Board. Firstly, the variable remuneration components are each limited to 200% of the target amount. Secondly, a maximum remuneration is defined per Sec. 87a(1) sentence 2 no. 1 AktG and based on the peer group comparison. This maximum remuneration limits the total payable amount of remuneration that is granted for a given fiscal year and incorporates all remuneration components (i.e., annual base salary, pension plan contributions, fringe benefits, performance bonus, and long-term incentive). This total amount is set at €6.2 million for the Chief Executive Officer and

€3.2 million for ordinary Executive Board members. As Vitesco Technologies Group AG was spun off from Continental AG during the fiscal year, the maximum remuneration for fiscal 2021 was reduced on a pro rata temporis basis to approximately €1.8 million for Andreas Wolf, to approximately €950 thousand for Werner Volz and Ingo Holstein, and to approximately €810 thousand for Klaus Hau and Thomas Stierle. A disclosure about adherence to the maximum remuneration in 2021 will be made in the remuneration report for the 2024 fiscal year once the LTI assessment period has ended.

Non-performance-based remuneration components in 2021

Annual base salary

The annual base salary is paid in twelve equal amounts, one each month, and is paid pro rata temporis if a member joins or leaves the Executive Board during a fiscal year. The annual base salary for the 2021 fiscal year adjusted on a pro rata temporis basis was approximately €236 thousand for the Chief Executive Officer, approximately €133 thousand for the Chief Financial Officer, approximately €118 thousand for the Chief Human Resources Officer, and approximately €100 thousand for Executive Board members with responsibility for a specific business area. The remuneration, including the annual base salary, has not been increased since the IPO, i.e., after it was first granted.

Fringe benefits

The Executive Board members receive fringe benefits in addition to their annual base salary. These benefits include reimbursement on a case-by-case basis of relocation costs and expenses for, having to maintain two households owing to their work for the Company, as well as the use of a company car, including for private purposes, the assumption of the costs for a regular health check-up and of any fees for membership in an employer's liability insurance association – including any income tax payable thereon, premiums for accident insurance, and premiums for health and long-term-care insurance. Further, the Company has taken out directors’ and officers’ (D&O) liability insurance for each member of the Executive Board.

There were no further fringe benefits paid to Executive Board members during the 2021 fiscal year.

Pension plan

The following details about the Executive Board’s pension plan pertain to benefits granted to the Executive Board members in the event that their appointment ends. The pension plan is designed as a defined-contribution plan that functions like a cash-balance plan. The fixed annual contribution granted by the Company to an Executive Board member is multiplied by an age factor to form a cash component that is credited to his or her pension account. The present value of the pension account is calculated as the balance reached divided by the age factor at the relevant point in time. The payout amount is calculated at the time payment of pension benefits is applied for. The payout amount can be paid as a lump sum, in installments, or as an annuity.

The service cost and defined benefit obligation for Executive Board members were as follows on December 31, 2021:

Pension Entitlements in € thousand

	IAS 19			
	Service cost		Defined benefit obligation	
	2021	**2020**	**2021**	**2020**
Andreas Wolf (from Sep. 15, 2021)	230	–	230	–
Werner Volz (from Sep. 15, 2021)	96	–	96	–
Ingo Holstein (from Sep. 15, 2021)	110	–	110	–
Klaus Hau (from Oct. 1, 2021)	78	–	78	–
Thomas Stierle (from Oct. 1, 2021)	91	–	91	–

Performance-based remuneration components in 2021

The Company's Executive Board members are granted performance-based remuneration consisting of a one-year variable remuneration and equity deferral (performance bonus) and multiple-year variable remuneration (the long-term incentive, LTI).

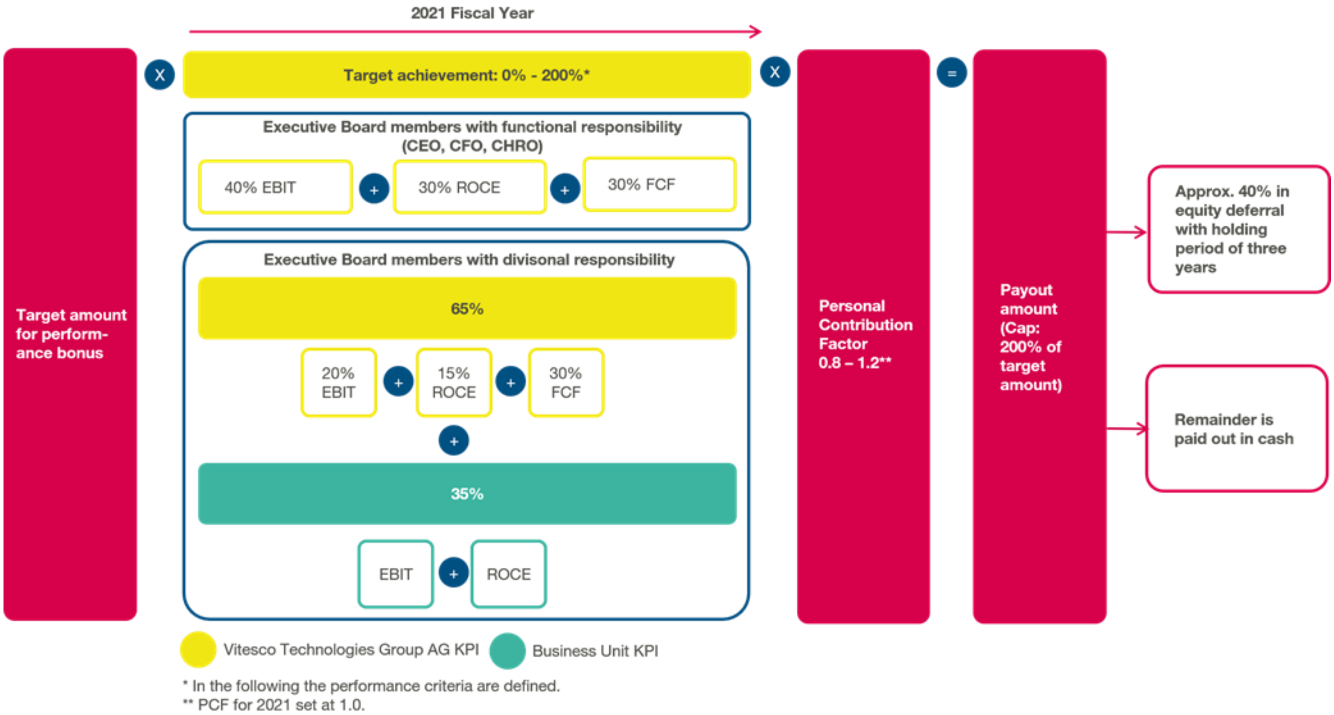
Performance bonus

Contribution of the performance bonus to the promotion of the business strategy

With its sustainability-oriented business strategy, Vitesco Technologies Group AG, focuses on profitability, efficiency, and innovation. By using EBIT, ROCE, and free cash flow (FCF) as financial performance indicators, the performance bonus acts as a direct incentive to perform well in implementing this business strategy. Complementing it with a "personal contribution factor" ensures that not only financial incentives are taken into account, but also the Company's organizational development and customer focus.

The annual performance bonus has a term of one year. The payout amount is limited to a maximum of 200% of the target amount and depends on the financial performance criteria as well as the non-financial personal contribution factor (PCF).

The performance bonus earned is calculated by multiplying the target amount with the target achievement. Approximately 40% of the net payout amount (20% of the gross payout amount) is allocated an equity deferral that does not vest until after three years. The remaining amount is paid out in cash. The performance bonus as a whole comprises the following:



Financial performance criteria

Target achievement for the financial performance criteria can range between 0% and 200%, which recognizes the performance of the Executive Board members and can also reduce the performance bonus to zero if targets are not met.

The financial performance criteria are based on the Company's key performance indicators and comprise EBIT, ROCE, and FCF.

EBIT (earnings before interest and taxes) refers to the Company's profit before factoring in financial income/expenses and taxes and is adjusted for impairment of goodwill and gains and/or losses from the disposal of parts of the Company. It is an indicator of operational profitability and acts as an incentive to increase the Company's future profit.

ROCE (return on capital employed) is determined as the ratio of the adjusted EBIT described above to the average capital employed (total assets less current liabilities) during the fiscal year, and is thus an indicator of the Company's profitability and efficiency.

FCF (free cash flow) is defined as the cash flow that remains before financing activities; it is adjusted for cash inflows/outflows from the sale or purchase of companies and business units. FCF is an indicator of liquidity and acts as an incentive to distribute dividends to shareholders and to reduce borrowing and enables future investments in the Company's innovation.

The financial performance criteria are applied for all Executive Board members, whereas Executive Board members who are responsible for a business unit are also assessed against financial performance criteria for the business unit for which they are responsible. These criteria include EBIT and ROCE.

Andreas Wolf, Werner Volz, and Ingo Holstein are each responsible for a central function. When calculating their target achievement based on the financial performance criteria for the performance bonus, 40% of the calculation is based on the entire Company's EBIT, 30% on its ROCE, and 30% on its FCF.

Klaus Hau and Thomas Stierle are each in charge of a business unit. A total of 65% of their target achievement is based on the performance criteria of the entire Company while a total of 35% is based on the performance criteria of their relevant business unit. When calculating their target achievement for the entire Company, 20% of the calculation is based on the entire Company's EBIT, 15% on its ROCE, and 30% on its FCF. When calculating their target achievement for the business units, 20% of the calculation is based on the EBIT of the relevant business unit and 15% on its ROCE.

Klaus Hau heads the Sensing & Actuation business unit and Thomas Stierle heads the Electrification Technology business unit. A target achievement curve could not be calculated for ROCE in the Electrification Technology business unit in fiscal 2021, so 35% of the business unit component of Thomas Stierle's financial target achievement for this fiscal year was determined based on the EBIT of the Electrification Technology business unit.

Personal contribution factor (PCF)

The personal contribution factor can be between 0.8 and 1.2 and depends on an appraisal of personal performance criteria for each Executive Board member.

The individual criteria of the PCF are set by the Supervisory Board before the beginning of each fiscal year and enable the Supervisory Board to consider individual or collective achievements by the Executive Board based on non-financial performance criteria, in addition to the financial performance criteria. The Supervisory Board can choose from the following topics when selecting the criteria:

> Market development and customer focus (e.g., new markets, new products, or customer segments)
> Implementation of transformation projects (e.g., spin-off, portfolio adjustments, reorganization, efficiency enhancements, strategic alliances)
> Organizational and cultural development (e.g., promotion of corporate values, agility and ownership, strengthening of internal cooperation and communication, succession planning, employer branding)

This allows for appropriate consideration of achievements contributed by the Executive Board that play a significant role in implementing the Company's strategy and that cannot be measured with financial metrics.

The Supervisory Board may choose not to set targets for the PCF for a given fiscal year, either for individual Executive Board members or for all of them; in this case, the PCF value for the Executive Board members concerned will be 1.0 for the relevant fiscal year.

Personal targets were not defined for the 2021 fiscal year, therefore the PCF used is 1.0 for all Executive Board members.

Application of the performance bonus in the 2021 fiscal year

The targets, minimums, and maximums as well as the actual figures and target achievements for the performance bonus' financial performance criteria are summarized in the following table:

Target Achievement for 2021 Performance Bonuses

	Minimum	Target	Maximum	Actual	Weighting in %	Target achievement in %
Central function[1]						
EBIT of Vitesco Technologies Group AG (€ million)	–391.8	–195.9	0.0	–26.9	40.0	186.3
ROCE of Vitesco Technologies Group AG (% points)	–10.4	–7.4	–4.4	–1.1	30.0	200.0
FCF of Vitesco Technologies Group AG (€ million)	–552.6	–425.1	–297.6	17.8	30.0	200.0
Sensing & Actuation business unit[2]						
EBIT of Vitesco Technologies Group AG (€ million)	–391.8	–195.9	0.0	–26.9	20.0	186.3
ROCE of Vitesco Technologies Group AG (% points)	–10.4	–7.4	–4.4	–1.1	15.0	200.0
FCF of Vitesco Technologies Group AG (€ million)	–552.6	–425.1	–297.6	17.8	30.0	200.0
EBIT of Sensing & Actuation (€ million)	138.3	172.9	207.5	231.1	20.0	200.0
ROCE of Sensing & Actuation (€ million)	12.1	15.1	18.1	22.0	15.0	200.0
Electrification Technology business unit[3]						
EBIT of Vitesco Technologies Group AG (€ million)	–391.8	–195.9	0.0	–26.9	20.0	186.3
ROCE of Vitesco Technologies Group AG (% points)	–10.4	–7.4	–4.4	–1.1	15.0	200.0
FCF of Vitesco Technologies Group AG (€ million)	–552.6	–425.1	–297.6	17.8	30.0	200.0
EBIT of Electrification Technology (€ million)	–315.8	–280.7	–245.6	–233.7	35.0	200.0

1) The Executive Board members responsible for a central function are: Andreas Wolf, Werner Volz, and Ingo Holstein.
2) The Executive Board member responsible for the Sensing & Actuation business unit is Klaus Hau.
3) The Executive Board member responsible for the Electrification Technology business unit is Thomas Stierle.
The definitions of the performance criteria are provided above.

The payout amounts presented below are calculated pro rata temporis based on the individual target amounts granted for the 2021 fiscal year in conjunction with target achievement as measured against the performance criteria. Approximately 40% of the net payout amount (20% of the gross payout amount) went toward the equity deferral that does not vest until after three years. The remaining amount was paid out in cash:

Summary of 2021 Performance Bonuses

	Target amount in € thousand	Target achievement financial performance criteria in %	Personal contribution factor[1]	Total target achievement in %	Total payout amount in € thousand	Equity deferral in € thousand[2]
Andreas Wolf (from Sep. 15, 2021)	355	194.5	1.0	194.5	691	276
Werner Volz (from Sep. 15, 2021)	148	194.5	1.0	194.5	288	115
Ingo Holstein (from Sep. 15, 2021)	133	194.5	1.0	194.5	259	104
Klaus Hau (from Oct. 1, 2021)	113	197.3	1.0	197.3	224	89
Thomas Stierle (from Oct. 1, 2021)	113	197.3	1.0	197.3	224	89

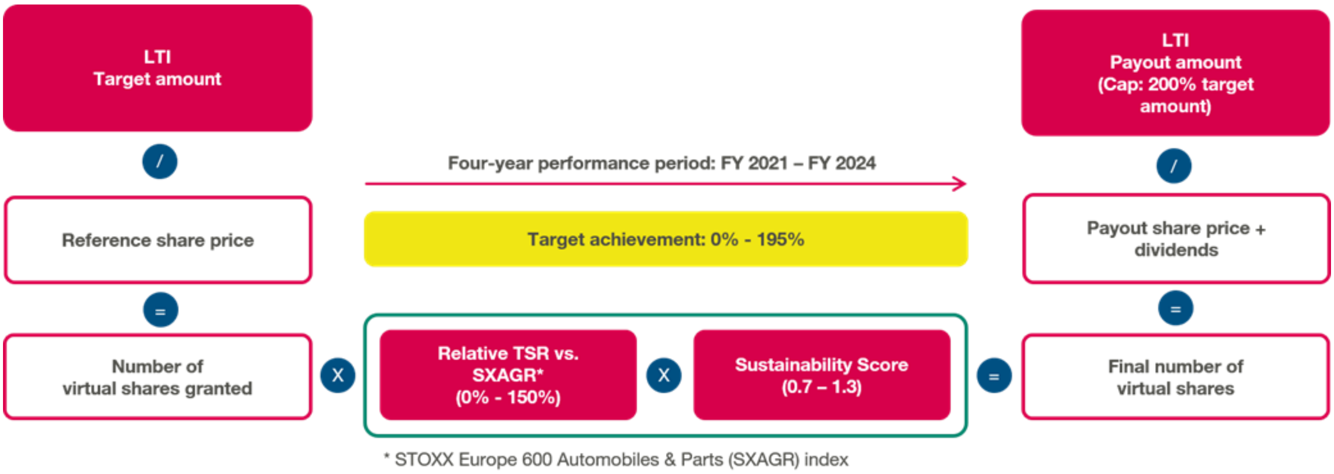
1) The Supervisory Board did not define any personal performance criteria for the 2021 fiscal year. For this reason, the value for the personal contribution factor is set at 1.0 for the 2021 fiscal year.
2) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a ratio of taxes and charges of roughly 50%.

Long-term incentive

Contribution of the long-term incentive to the promotion of the business strategy

Ever since its listing in September 2021, Vitesco Technologies Group AG has considered the interests of its investors and shareholders to be crucially important. The stock-based design of the LTI and the integration of relative TSR as a market-oriented element in this remuneration component act as an incentive to pursue the investors' and shareholders' interests. Additionally, using the sustainability score as a performance criterion ensures that the remuneration provides appropriate support for sustainable business development.

The LTI for the Executive Board members is designed as a virtual performance share plan on a rolling annual basis with a four-year performance period. The defined performance criteria include the relative total shareholder return (TSR) and the Company's sustainability score.



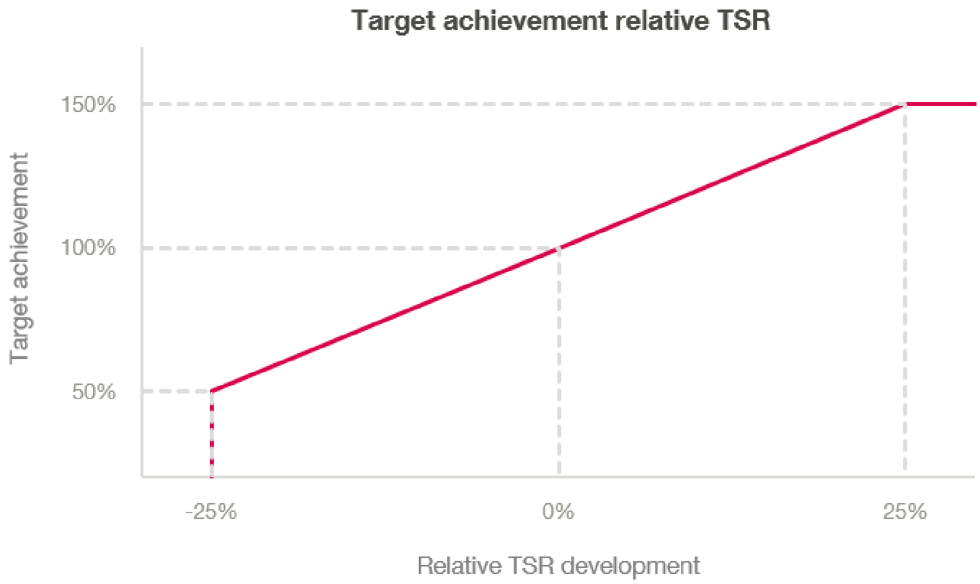
The number of granted virtual shares is calculated at the beginning of the performance period by dividing an Executive Board member's target amount by the reference share price. The reference share price is calculated as the arithmetic mean of the Company's closing share prices in the XETRA trading system operated by the Frankfurt Stock Exchange (or a successor system) in the last two months prior to the start of the performance period for the relevant LTI tranche. There is a deviating provision for the LTI tranche for the 2021 fiscal year due to the spin-off during the fiscal year. The share reference price is calculated as the arithmetic mean of the Company's closing share prices in the XETRA trading system operated by the Frankfurt Stock Exchange (or a successor system) in the first three months following the initial listing, including the day of the listing.

At the end of the performance period, the total target achievement that determines the payout amount is calculated first. This involves multiplying the target achievement for both performance criteria, relative TSR and sustainability score, by each other. The total target achievement is limited to a maximum of 195%. The number of virtual shares granted at the beginning of the performance period is then multiplied by the total target achievement. The final number of virtual shares so determined is then multiplied by the Company's payout share price, taking into account the dividends paid out during the performance period, with the result of this being the payout amount. The payout share price is calculated as the arithmetic mean of the Company's closing share prices in the XETRA trading system operated by the Frankfurt Stock Exchange (or a successor system) on the trading days in the final two months preceding the next Annual General Meeting after the LTI period ends. The LTI payout amount is limited to 200% of the target amount.

Relative total shareholder return (TSR)

To calculate the relative TSR, the TSR on the Company's stock is compared at the end of the performance period with the TSR of the STOXX Europe 600 Automobiles & Parts (SXAGR), the benchmark index, at the end of the performance period. The benchmark period for the year of the spin-off began on the day of the initial listing, i.e., September 16, 2021. Relative TSR is an instrument with a market focus and therefore incentivizes developing the Company's value proportionally to a relevant peer group. TSR measures the stock price development of the Company and companies in the benchmark index while also incorporating dividend payments. It puts a focus on the interests of our shareholders.

The target-achievement curve is defined in the remuneration system and illustrated below. If the Vitesco Technologies Group AG TSR corresponds to the benchmark TSR, the performance criterion is deemed achieved at a degree of 100%. The variance is calculated by adding double the difference between the Vitesco Technologies Group AG TSR and the benchmark TSR to the value 1.0 (100% target achievement). The result is the following target achievement curve: If the Vitesco Technologies Group AG TSR falls below the benchmark TSR by 25 percentage points or more, the target achievement is 0%; if the Vitesco Technologies Group AG TSR exceeds the benchmark TSR by 25 percentage points or more, the target achievement is 150%; if the Vitesco Technologies Group AG TSR falls below or exceeds the benchmark TSR by less than 25 percentage points, the level of target achievement will be calculated using linear interpolation for a result between 50% and 150%. A target achievement of more than 150% is excluded.



Sustainability score

Sustainability is an integral part of the business strategy of Vitesco Technologies Group AG. For the Company, it means adding value for society in a significant way and reducing any negative impact from the Company's business activities. A sustainability strategy has been established for the Company, which the Supervisory Board has incorporated into the remuneration system in the form of the sustainability score. The Executive Board's sustainability strategy defines the following topics[1]: climate protection, clean mobility, circular economy, sustainable supply chains, green and safe factories, good working conditions, product quality, corporate governance, innovation and digitalization, safe mobility, long-term profitability, and corporate citizenship. The Supervisory Board sets up to six performance criteria for the sustainability score and bases them on the aforementioned topics. The sustainability score can be between 0.7 and 1.3 and depends on the number of performance criteria that have been achieved during the performance period. The performance criteria for 2021 comprise the following criteria:

[1] The topics noted here refer to the sustainability score for the LTI tranche 2021 and deviate from the sustainability agenda of Vitesco Technologies Group AG due to the upstream definition. The topics of the sustainability score for future LTI tranches will be in line with the sustainability agenda.

> Reduction of CO_2 emissions
> Share of recycled waste
> Employee satisfaction
> Number of accidents
> Share of women an men in management positions

Application of the long-term incentive in the 2021 fiscal year

The specific performance criteria, total target achievement, and the final amount of virtual shares and the resulting payout amount will be reported in the remuneration report for the 2024 fiscal year, after the performance period has ended.

2021 LTI Tranche Grant

	Target amount in € thousand	Reference share price in €	Number of virtual shares granted
Andreas Wolf (from Sep. 15, 2021)	237	49.01	4,830
Werner Volz (from Sep. 15, 2021)	148	49.01	3,019
Ingo Holstein (from Sep. 15, 2021)	148	49.01	3,019
Klaus Hau (from Oct. 1, 2021)	126	49.01	2,571
Thomas Stierle (from Oct. 1, 2021)	126	49.01	2,571

Share ownership guideline

Provisions in the Executive Board members’ service agreements require them to invest a minimum amount in the Company’s stock within a build-up phase and, after the build-up phase ends, to hold the shares acquired through this investment for the duration of their appointment and for a further two years after their appointment ends and their service agreement is terminated (this is referred to as the share ownership guideline, SOG).

The minimum amount to be invested by each member of the Executive Board is based on their agreed gross annual base salary. For the Chief Executive Officer, the minimum amount is 200% of his or her annual base salary; for ordinary Executive Board members it is 100% of their annual base salary (SOG target). The four-year build-up phase ends prematurely if a Board member’s service agreement is terminated. The set SOG target is also reduced accordingly on a pro rata temporis basis. The shares held by Executive Board members in connection with the equity deferral as part of their performance bonus are counted toward their SOG target achievement.

Malus and clawback provisions

If an Executive Board member, in his/her role as a member of the Executive Board, commits a demonstrably deliberate gross infringement of his/her duty of care as set out in Sec. 93 AktG, of a significant conduct principle in the internal guidelines issued by the Company, or of one of his/her other obligations as set out in the service agreement, the

Supervisory Board may, at its due discretion, partially or entirely reduce (to zero) the variable remuneration that is due for the fiscal year in which the gross infringement took place (the “malus provision”).

If the variable remuneration has already been paid by the time the decision is made to impose a reduction, the Executive Board member must pay back the excess payments received in accordance with this decision (the “clawback provision”). In this case, the Company is also entitled to offset the clawback amount against other remuneration entitlements of the Executive Board member.

Any claims for damages held by Vitesco Technologies Group AG against the member of the Executive Board, in particular under Sec. 93(2) AktG, will remain unaffected by the agreement of a malus or clawback provision.

Malus or clawback provisions were not exercised in the 2021 fiscal year.

Remuneration-related dealings and transactions

Benefits from third parties

The Executive Board members did not receive any benefits from third parties as part of their role as Executive Board members of Vitesco Technologies Group AG.

Premature termination of the service agreement

In the event of premature termination of an Executive Board position without good cause, any payments that may be arranged to be made to the Executive Board member shall not exceed the value of two years’ compensation (the “severance cap”) or the compensation for the remaining term of the member’s service agreement. In the event of a “bad-leaver” situation, the tranches of the LTI applicable at that time are forfeited and not substituted. In particular, a bad-leaver situation is deemed to have occurred if the service agreement at the Company is extraordinarily terminated for cause before the LTI period has ended.

If an Executive Board member passes away during the term of his or her service agreement, his or her spouse or civil partner and entitled children or wards are deemed to be joint creditors with an entitlement to the member’s annual base salary for the month of the death and the following six months, but not beyond the agreed term of the service agreement.

Post-contractual non-compete clause

A post-contractual non-compete clause, valid globally for two years, is agreed with each Executive Board member. The Company pays the Executive Board members compensation of 50% of the contractual compensation most recently received for the duration of the non-compete clause. Any severance payments that are made in the event of a mutually agreed, premature termination of a service agreement are counted towards the non-compete compensation.

Disclosure of individual Executive Board remuneration

The following tables show the individual target remuneration as well as the remuneration awarded or due in the 2021 fiscal year to members of the Executive Board in accordance with Sec. 162 AktG.

As the spin-off from Continental AG took effect on September 15, 2021, the following only shows the remuneration for the 2021 fiscal year on a pro rata temporis basis from the time of the spin-off. A column for the 2020 fiscal year is displayed to prepare for consistent remuneration disclosure in the future, though it does not contain any data as yet due to the spin-off in 2021.

Target remuneration

The target remuneration for individual Executive Board members comprises the remuneration that is paid if the level of target achievement is 100%. The following is a table showing the individual target remuneration on a pro rata temporis basis for the 2021 fiscal year from the time of the spin-off from Continental AG for each Executive Board member.

Target Remuneration

	Andreas Wolf Chief Executive Officer (from Sep. 15, 2021)			**Werner Volz Chief Financial Officer (from Sep. 15, 2021)**		
	2021		**2020**	**2021**		**2020**
	€ thousand	**%**	**€ thousand**	**€ thousand**	**%**	**€ thousand**
Base salary	236	22	–	133	25	–
Fringe benefits	2	0	–	4	1	–
One-year variable remuneration	213	20	–	89	17	–
Performance bonus in 2021 (immediate payment)	213	–	–	89	–	–
Multiple-year variable remuneration	379	36	–	207	39	–
Performance bonus in 2021 (deferral)1	142	–	–	59	–	–
LTI 2021 – 2024	237	–	–	148	–	–
Service cost for pension plan	230	22	–	96	18	–
Total remuneration	**1,059**	**100**	**–**	**529**	**100**	**–**

1) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a lump sum of 50% for taxes and charges.

	Ingo Holstein Chief Human Resources Officer (from Sep. 15, 2021)			Klaus Hau Head of Sensing & Actuation (from Oct. 1, 2021)		
	2021		2020	2021		2020
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	118	23	–	100	24	–
Fringe benefits	2	0	–	3	1	–
One-year variable remuneration	80	16	–	68	16	–
Performance bonus in 2021 (immediate payment)	80	–	–	68	–	–
Multiple-year variable remuneration	201	39	–	171	41	–
Performance bonus in 2021 (deferral)1	53	–	–	45	–	–
LTI 2021 – 2024	148	–	–	126	–	–
Service cost for pension plan	110	22	–	78	18	–
Total remuneration	**511**	**100**	**–**	**421**	**100**	**–**

1) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a lump sum of 50% for taxes and charges.

	Thomas Stierle Head of Electrification Technology (from Oct. 1, 2021)		
	2021		2020
	€ thousand	%	€ thousand
Base salary	100	23	–
Fringe benefits	3	1	–
One-year variable remuneration	68	16	–
Performance bonus in 2021 (immediate payment)	68	–	–
Multiple-year variable remuneration	171	39	–
Performance bonus in 2021 (deferral)1	45	–	–
LTI 2021 – 2024	126	–	–
Service cost for pension plan	91	21	–
Total remuneration	**433**	**100**	**–**

1) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a lump sum of 50% for taxes and charges.

Remuneration awarded or due

The following tables show the remuneration awarded or due to Executive Board members in the 2021 fiscal year in accordance with Sec. 162 AktG and the proportion of this relative to total remuneration. Awarded remuneration is considered remuneration for which the work duty owed was performed in full during the relevant reporting period. Due remuneration comprises remuneration that is due but has not been actually disbursed yet.

Accordingly, an example disclosure for variable remuneration commitments first made in the 2021 fiscal year appears as follows: The remuneration for the performance bonus is disclosed in the 2021 column and therefore for the fiscal year during which the underlying work was performed in full.

Remuneration Awarded or Due

	Andreas Wolf Chief Executive Officer (from Sep. 15, 2021)			Werner Volz Chief Financial Officer (from Sep. 15, 2021)		
	2021		2020	2021		2020
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	236	20	–	133	26	–
Fringe benefits	2	0	–	4	1	–
One-year variable remuneration	414	36	–	173	33	–
Performance bonus in 2021 (immediate payment)	414	–	–	173	–	–
Multiple-year variable remuneration	276	24	–	115	22	–
Performance bonus in 2021 (deferral)1	276	–	–	115	–	–
Total remuneration awarded or due	**929**	**–**	**–**	**425**	**–**	**–**
Service cost for pension plan	230	20	–	96	18	–
Total remuneration	**1,158**	**100**	**–**	**520**	**100**	**–**

	Ingo Holstein Chief Human Resources Officer (from Sep. 15, 2021)			Klaus Hau Head of Sensing & Actuation (from Oct. 1, 2021)		
	2021		2020	2021		2020
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	118	24	–	100	25	–
Fringe benefits	2	0	–	3	1	–
One-year variable remuneration	155	32	–	134	33	–
Performance bonus in 2021 (immediate payment)	155	–	–	134	–	–
Multiple-year variable remuneration	104	21	–	89	22	–
Performance bonus in 2021 (deferral)1	104	–	–	89	–	–
Total remuneration awarded or due	**379**	**–**	**–**	**327**	**–**	**–**
Service cost for pension plan	110	23	–	78	19	–
Total remuneration	**489**	**100**	**–**	**405**	**100**	**–**

1) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a lump sum of 50% for taxes and charges.

	Thomas Stierle Head of Electrification Technology (from Oct. 1, 2021)		
	2021		2020
	€ thousand	%	€ thousand
Base salary	100	24	–
Fringe benefits	3	1	–
One-year variable remuneration	134	32	–
Performance bonus in 2021 (immediate payment)	134	–	–
Multiple-year variable remuneration	89	21	–
Performance bonus in 2021 (deferral)1	89	–	–
Total remuneration awarded or due	**327**	**–**	**–**
Service cost for pension plan	91	22	–
Total remuneration	**418**	**100**	**–**

1) Shares of Vitesco Technologies Group AG worth 20% of the gross payout amount must be purchased from the net performance bonus payout and then held for a period of three years; the corresponding gross amount was calculated assuming a lump sum of 50% for taxes and charges.

Supervisory Board remuneration in the 2021 fiscal year

Basic principles of Supervisory Board remuneration

The members of the Supervisory Board receive fixed annual remuneration that takes account of the independence of the Supervisory Board.

The fixed annual remuneration for Supervisory Board members is €60 thousand for an ordinary member, €90 thousand for a deputy chairperson, and €120 thousand for the Chairperson of the Supervisory Board.

Depending on their membership, members of the Audit and Executive Committees receive committee remuneration for the additional time demands of their positions. This committee remuneration comes to €30 thousand for the chairperson of a committee and €20 thousand for any other member. If members hold multiple committee positions, the committee remuneration is limited to a total of €40 thousand for a committee chairperson and to a total of €30 thousand for any other committee members. For this purpose, the highest maximum amount of remuneration applicable to the individual Supervisory Board member will apply.

The Supervisory Board members additionally receive a meeting attendance fee for each Supervisory Board meeting that they attend in person (including by means of electronic communication). This also applies accordingly to attendance at committee meetings, unless a Supervisory Board meeting or another committee meeting for which the member already receives an attendance fee is held on the same day.

Supervisory Board members who commence or end their Supervisory Board position in the course of a year receive the fixed remuneration and, if applicable, a committee remuneration on a pro rata temporis basis. Furthermore, the Company reimburses all Supervisory Board members for the expenses that they incur in the performance of their duties as well as any value added tax payable. The Company may take out directors' and officers' (D&O) liability insurance for each member.

Remuneration component	Chairperson of the Supervisory Board	Deputy Chairperson of the Supervisory Board	Ordinary Supervisory Board member
Annual fixed remuneration	120,000 €	90,000 €	60,000 €
Attendance fee per meeting		1,500 €	

	Chairperson of a committee	Ordinary committee member
Audit Committee*	30,000 €	20,000 €
Executive Committee*	30,000 €	20,000 €

* The committee remuneration for the Chairperson of the Audit Committee and of the Executive Committee is limited to 40,000 €. the committee remuneration for other Supervisory Board members is limited to 30,000 €.

Disclosure of individual Supervisory Board remuneration

The following table shows the remuneration awarded or due to the Supervisory Board members in the 2021 fiscal year, broken down by individual remuneration component. The Supervisory Board's remuneration for fiscal 2021 is also shown on a pro rata temporis basis as the Company was only spun off on September 15, 2021. A column for the 2020 fiscal year has also been included to ensure a consistent table format in this section of future annual reports:

Supervisory Board Remuneration

	2021							2020
	Fixed remuneration		Committee remuneration		Meeting attendance fee		Total remuneration	Total remuneration
	€ thousand	%	€ thousand	%	€ thousand	%	€ thousand	€ thousand
Prof. Siegfried Wolf (Supervisory Board Chairman)	40	74	10	18	5	8	**55**	–
Ralf Schamel[1] (Deputy Supervisory Board Chairman)	30	73	7	16	5	11	**41**	–
Carsten Bruns[1]	20	87	–	0	3	13	**23**	–
Prof. Hans-Jörg Bullinger	20	87	–	0	3	13	**23**	–
Manfred Eibeck	20	64	7	21	5	15	**31**	–
Lothar Galli[1]	20	61	7	21	6	18	**33**	–
Yvonne Hartmetz[1]	20	61	7	21	6	18	**33**	–
Susanne Heckelsberger	20	55	10	28	6	17	**36**	–
Joachim Hirsch	20	87	–	0	3	13	**23**	–
Prof. Sabina Jeschke	20	87	–	0	3	13	**23**	–
Michael Köppl[1]	20	61	7	21	6	18	**33**	–
Erwin Löffler[1]	20	64	7	21	5	15	**31**	–
Klaus Rosenfeld	20	61	7	21	6	18	**33**	–
Georg F. W. Schaeffler	20	53	10	27	8	20	**38**	–
Kirsten Vörkel[1]	20	64	7	21	5	15	**31**	–
Anne Zeumer[1]	20	87	–	0	3	13	**23**	–

1) Employee representative.

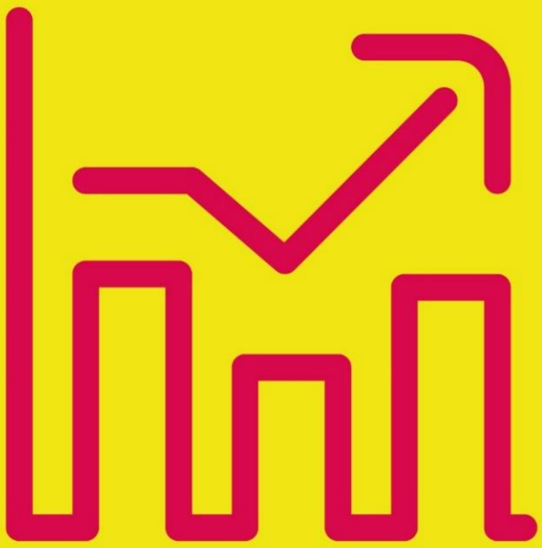
Year-on-year comparison of remuneration and earnings

In line with the legal requirements under Sec. 162(1) sentence 2 no. 2 AktG for disclosing the remuneration of Executive Board and Supervisory Board members, the remuneration for Executive Board and Supervisory Board members has been compared with the workforce's remuneration and the Company's development in earnings. The remuneration of the workforce, based on full-time-equivalent hours, comprises the remuneration received by senior management, non-collective-agreement employees, and collective-agreement employees in Germany as of September 15, 2021. The earnings metrics consist of the net loss of Vitesco Technologies Group AG and EBIT for the Vitesco Technologies Group. The variable remuneration of the Executive Board is based on the Group's performance. Given the Company's spin-off and IPO during the 2021 fiscal year, the year-on-year comparison will be built up progressively over the next five fiscal years.

Year-on-Year Comparison

	2021	2020	2020/2021[2] Change
	€ thousand	€ thousand	%
Executive Board members			
Andreas Wolf (from Sep. 15, 2021)	929	–	–
Werner Volz (from Sep. 15, 2021)	425	–	–
Ingo Holstein (from Sep. 15, 2021)	379	–	–
Klaus Hau (from Oct. 1, 2021)	327	–	–
Thomas Stierle (from Oct. 1, 2021)	327	–	–
Average	**477**	**–**	**–**
Supervisory Board members			
Prof. Siegfried Wolf (Supervisory Board Chairman)	55	–	–
Ralf Schamel[1] (Deputy Supervisory Board Chairman)	41	–	–
Carsten Bruns[1]	23	–	–
Prof. Hans-Jörg Bullinger	23	–	–
Manfred Eibeck	31	–	–
Lothar Galli[1]	33	–	–
Yvonne Hartmetz[1]	33	–	–
Susanne Heckelsberger	36	–	–
Joachim Hirsch	23	–	–
Prof. Sabina Jeschke	23	–	–
Michael Köppl[1]	33	–	–
Erwin Löffler[1]	31	–	–
Klaus Rosenfeld	33	–	–
Georg F. W. Schaeffler	38	–	–
Kirsten Vörkel[1]	31	–	–
Anne Zeumer[1]	23	–	–
Average	**32**	**–**	**–**
Employees			
Average	**23**	**–**	**–**
Development in earnings			
Net loss of Vitesco Technologies Group AG per Sec. 275 HGB, € million	–1,050.4	–	–
EBIT of Group, € million	39.5	–	–

1) Employee representative.
2) Because the spin-off of Vitesco Technologies Group AG from Continental AG took effect on September 15, 2021, the year-on-year comparison of changes in the Company's remuneration and earnings is going to be built up as time goes by.



MANAGEMENT REPORT

The following management report is a combined management report as defined in HGB § 315(5), as the future opportunities and risks of the Vitesco Technologies Group and of the parent company, Vitesco Technologies Group AG, are inextricably linked.

GLOSSARY OF FINANCIAL TERMS

THE FOLLOWING GLOSSARY OF FINANCIAL TERMS APPLIES TO THE MANAGEMENT REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS.

American depositary receipts (ADRs). ADRs are securities that represent ownership of stock and can stand for one share, several shares, or even a portion of a share. ADRs are traded on US stock exchanges in the place of foreign shares or shares not authorized for listing on US stock exchanges.

Dividend-payout ratio. The ratio of the dividend for the fiscal year to the earnings per share.

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.

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

Cash-conversion ratio. The ratio of free cash flow to net income attributable to the shareholders of the parent.

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

EBIT. Earnings before interest and tax. It is the result of ordinary business activities and is used to assess operational profitability.

Adjusted EBIT. EBIT before amortization of intangible assets from purchase-price allocation (PPA), changes in the scope of consolidation, and special effects. Since it eliminates one-time influences, it can be used to compare operational profitability between periods.

EBITDA. Earnings before interest, tax, depreciation, and amortization. It it is calculated by adding depreciation of property, plant, and equipment; amortization of intangible assets, and impairment, excluding impairment of financial investments, to EBIT. This key figure is used to assess operational profitability.

Net finance income. Net finance income 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 measurement effects. Net finance income is the result of financial activities.

Research and development costs (net). Research and development costs (net) are defined as expenses for research and development less reimbursements and subsidies that Vitesco Technologies receives in this context.

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

Hedging. Securing of 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 issued 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 issued by the IASB. In a broad sense, they also include the IAS and the interpretations of the IFRS IC, its predecessor IFRIC, and the former SIC.

IFRS IC. International Financial Reporting Standards Interpretations Committee.

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

Changes in the scope of consolidation. 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 period and for disposals in the year-on-year comparison period.

Net debt. The net amount of recognized interest-bearing financial liabilities, fair values of the derivative instruments, cash and cash equivalents, and other interest-bearing investments. This key figure is the basis for calculating figures relating to the capital structure.

Operating assets. The assets less liabilities as reported in the statement of financial position, without recognizing net debt, and less sales of trade receivables, deferred taxes, income-tax receivables and payables, and other financial assets and debts. Average operating assets are calculated based on the quarterly reporting dates and, according to our definition, correspond to the capital employed.

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

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

ROCE. See Return on Capital Employed (ROCE).

SIC. Standing Interpretations Committee (predecessor to 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.

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

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.

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 receivables less trade payables. Sales of receivables are not included.

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.

CORPORATE PROFILE

Vitesco Technologies is a supplier of modern drive technologies and electrification solutions for sustainable vehicles. Its product portfolio comprises electric drive units, electronic controls, sensors, actuators, and solutions for treating exhaust gases. With more than ten years' experience in electric vehicles, Vitesco Technologies offers trailblazing solutions for all the possible steps to electrification that will be taken for all the main drive-technology developments in the future. The Company has production and development sites in all growing markets (China, Europe, and North America). In 2021, the Group achieved sales of €8.3 billion and had 37,488 employees at approximately 50 sites. Vitesco Technologies Group AG is the parent company and has been based in Regensburg, Germany since September 30, 2021.

STRUCTURE OF THE GROUP

Organizational structure

Vitesco Technologies concentrates on the development and production of components and system solutions for drivetrains in hybrid vehicles, electric vehicles, and combustion engines. Its portfolio comprises 48-volt electrification solutions, electric drive systems, and power electronics for hybrid-electric and battery-electric vehicles. Furthermore, its product palette includes electronic controls, sensors, actuators, turbochargers, hydraulic components, and pumps as well as exhaust-gas solutions.

Vitesco Technologies' business operations are run in four business units: Electrification Technology, Electronic Controls, Sensing & Actuation, and Contract Manufacturing.

Executive Board

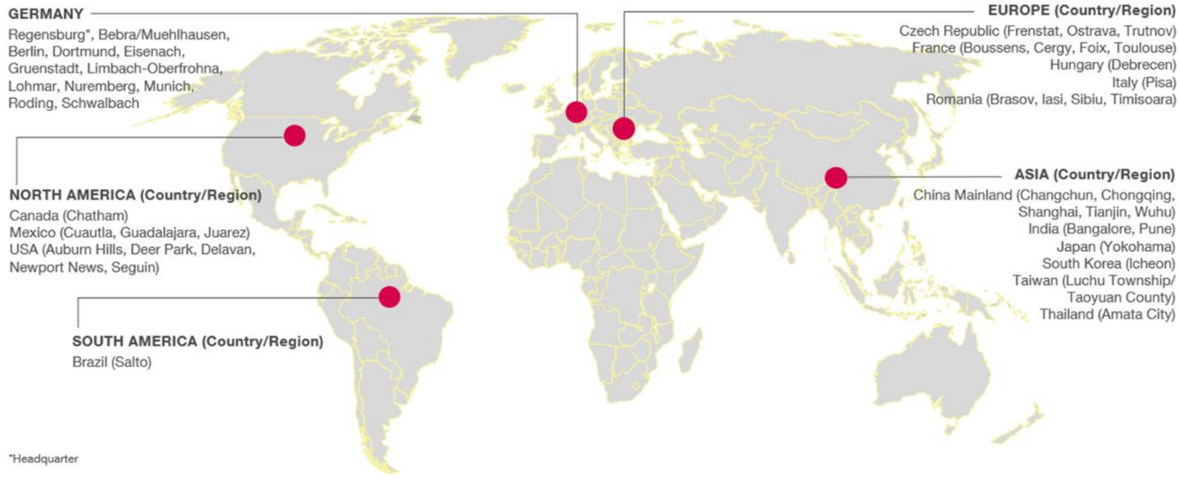
The Executive Board of Vitesco Technologies Group AG currently consists of five members:

> Andreas Wolf, Chief Executive Officer
> Werner Volz
> Ingo Holstein

>Klaus Hau
>Thomas Stierle

Sites

Vitesco Technologies is active at approximately 50 locations globally and manufactures at 28 production sites in 14 different countries. Eight sites are purely for production, 22 concentrate on research and development activities, and 20 sites combine production, research, and development work.



Customer structure

Vitesco Technologies sells its products to customers in more than 40 countries and is a partner of almost all major OEMs worldwide. The top seven customers of Vitesco Technologies are the Ford Motor Company, the General Motors Company, the Hyundai Motor Group, the Mercedes-Benz Group, the Renault-Nissan-Mitsubishi Alliance, Stellantis, and the Volkswagen Group. These top seven customers contributed an average 71.0% of annual revenue in the three-year period between 2019 and 2021 (excluding contract-manufacturing revenue).

Vitesco Technologies has successfully achieved strong market penetration among major OEMs, including in Asia, Europe, the US, and Canada. Vitesco Technologies additionally has a broad customer base in key emerging markets such as Mexico, Thailand, India, and Brazil.

In the 2021 fiscal year, 16.1% of Vitesco Technologies' sales came from Germany. The Group's top three customers in Germany were the BMW Group, Mercedes-Benz Group, and Volkswagen Group. The rest of Europe was responsible for 29.0% of total sales, with the three most important customers being the Renault-Nissan-Mitsubishi Alliance, Stellantis, and the Volkswagen Group.

North America was responsible for 23.5% in 2021, with the top three customers being Cummins, the General Motors Company, and Stellantis.

With 30.2% of sales, Asia is the Company's largest sales market and has the General Motors Company, Hyundai Motor Group, and Volkswagen Group as its three most important customers. The remaining 1.2% of total sales are spread across other countries.

The above illustration lists customers in alphabetical order.

Overview of Group structure

Vitesco Technologies Group

Sales: €8,348.5 million; employees: 37,488

Electrification Technology	**Electronic Controls**	**Sensing & Actuation**	**Contract Manufacturing**
Sales: €587.1 million Employees: 4,025	Sales: €3,535.9 million Employees: 15,685	Sales: €3,217.2 million Employees: 15,004	Sales: €1,050.0 million Employees: 2,759
> High-Voltage Electronics > High-Voltage Drive > Mild Hybrid Drive > Battery	> Drivetrain > Electronics > Hydraulics > Nonautomotive > Turbocharger	> Exhaust & Emission Sensors > Transmission & Engine Sensors > Actuators > Fluid-Control Systems > Catalysts & Filters > Vitesco Technologies Aftermarket	> Contract manufacturing for the Continental Group

Electrification Technology

The Electrification Technology business unit is a pioneer in electrifying vehicle drive systems and has more than ten years' experience in this field. Electrification Technology provides systems and components for electrified drivetrains and serves all key electrification architectures such as 48-volt hybrid, plug-in hybrid, and battery-electric vehicles. Its electric drive systems can be used in vehicles with a combustion engine, battery, or fuel cell. Its portfolio applies a strict platform-based approach, including modularity, integration, and scalability, with a focus on a deep understanding of systems. Electrification Technology is divided into four specific product lines:

>High-Voltage Electronics
>High-Voltage Drive
>Mild Hybrid Drive
>Battery

Electronic Controls

The Electronic Controls business unit at Vitesco Technologies provides electronic, mechatronic, and software-based solutions for drivetrains in battery-electric vehicles, hybrid vehicles, and vehicles with a combustion engine. These solutions are installed in cars, commercial vehicles, and two-wheel vehicles. Electronic Controls is divided into the following five product lines:

>Drivetrain
>Electronics
>Hydraulics
>Nonautomotive
>Turbocharger

Sensing & Actuation

The Sensing & Actuation business unit develops components that enable clean and safe transportation. Its product portfolio comprises various types of sensors, actuators, and pumps as well as components for treating exhaust gases. These solutions are used in pure-electric vehicles (battery or fuel cell), hybrid vehicles, and vehicles with a combustion engine, and the business unit can serve all vehicle types, from two-wheelers to cars and heavy trucks. Sensing & Actuation is divided into the following six product lines:

> Exhaust & Emission Sensors
> Transmission & Engine Sensors
> Actuators
> Fluid-Control Systems
> Catalysts & Filters
> Vitesco Technologies Aftermarket

Contract Manufacturing

The Contract Manufacturing business unit comprises Vitesco Technologies' contract-manufacturing operations for Continental AG. Products are currently produced for Continental AG at a total of seven Vitesco Technologies production sites. These products are part of customer projects that started at production sites that were formerly shared (Vitesco Technologies/Continental). To ensure that production continues without interruption for the customer, these sites will keep manufacturing for Continental AG until the end of the relevant contracts or until production moves to the earmarked sites within the Continental Group.

GROUP STRATEGY

VITESCO TECHNOLOGIES DIRECTION 2030

Our world is changing. The effects of climate change are becoming increasingly noticeable and can be seen in natural catastrophes such as droughts or heat waves. Accordingly, the demand for environmentally friendly and socially responsible products and transportation solutions is growing larger and more important. There is increasing regulatory pressure to reduce emissions, too.

Vitesco Technologies has implemented its DIRECTION 2030 corporate strategy to set a clear direction in these volatile times and contribute to cleaner transportation. It acts as a comprehensive framework that the Company, its staff, and all other Vitesco Technologies stakeholders can use for orientation and direction. It lets arising opportunities be used strategically to ensure sustainable growth while also increasing the Company's value.

The strategy falls under the umbrella of the Company's “Electrified. Emotion. Everywhere.” vision, which represents Vitesco Technologies' ambition to pave the way to clean transportation through electrification. Our passion is developing and producing intelligent and reliable solutions, for all markets, all architectures, and all people.

Our mission of “Powering Clean Mobility” was declared to provide daily motivation for the journey to an electrified world. The actions of Vitesco Technologies are based on a clear commitment to reducing emissions. By developing these solutions, the

Company is shaping the future of clean mobility and transportation and fulfilling its corporate social responsibility, acting as a dependable partner for its customers, and making profitable choices for its investors.

To enable the practical implementation of this ambitious vision by 2030 and review it regularly, the Company has defined five focus areas which each have qualitative and quantitative targets:

> Leader in Electrified Solutions
> Business Excellence
> Great People, Great Company
> Driver of Sustainability
> Investors’ Choice

The focus on being a “Leader in Electrified Solutions” is underpinned by a conviction that all drivetrains will be electrified in the future. Vitesco Technologies has a goal of being a leading supplier of products ranging from 48-volt drive systems through to battery-electric vehicle-drive systems. Accordingly, it aims to generate most of its sales from electrification by 2030.

In the midst of a changing market dynamic, Vitesco Technologies is striving to achieve a balanced global positioning in order to bolster its presence in growing markets and serve new customer categories. The three key regions for its future business development are Europe, China, and North America.

“Business Excellence” is the foundation for accomplishing the transition from combustion-engine drive to electrified drive systems. A focus on customer satisfaction and efficient production is essential for meeting or even exceeding the requirements of our customers and a foundation for gaining new business contracts. By focusing strongly on its cost structure, Vitesco Technologies ensures high profitability to finance future growth and safeguard competitiveness in a volatile market environment.

Vitesco Technologies believes that its employees are the key to lasting business success in the future. Its focus on “Great People, Great Company” is based on this belief and involves setting strategic targets to support the right employees with the right motivation in the right environment. The aim of this focus is to increase employee satisfaction and boost the long-term loyalty that skilled workers feel toward Vitesco Technologies. The Group also has a strategic focus on developing a strong corporate brand.

Sustainability is a fundamental element of Vitesco Technologies and a key requirement for its future commercial success. The focus on being a “Driver of Sustainability” centers things such as the Group’s carbon footprint. Vitesco Technologies has made it its objective to make its in-house production operations 100% carbon-neutral by no later than 2030. Moreover, it aims to achieve full carbon neutrality throughout its value chain by no later than 2040. In terms of its products and their impact on the environment, it intends to employ life-cycle engineering throughout the product life cycle, from resource extraction to recycling, in order to optimize their emissions reduction.

All these focus areas are also reflected in an ambition of being the “Investors’ Choice.” Vitesco Technologies has set a goal of being attractive to investors, which will see progressively increasing profitability thanks to a focus on core activities. This profitability will simultaneously allow the Group to finance its future growth. It will also have a positive effect on its share price, which will develop lastingly and more strongly in comparison to relevant benchmark indexes.


Focus Areas
Leader in Electrified Solutions
Business Excellence
Great People Great Company
Driver of Sustainability
Investor's Choice
Targets
Electrified Business
Customer Satisfaction
Employee Satisfaction
Carbon Footprint
Profitability
Regional Balance
Cost Efficiency
Brand Strength
Life Cycle Engineering
Share Price Performance

GROUP MANAGEMENT

TARGET IS GROWING SUSTAINABLY WHILE INCREASING THE GROUP'S VALUE

The Group's internal management system consists of the annual operational planning, which is developed based on the overall strategic framework specified by the Executive Board, ongoing monitoring and management of financial key figures, regular meetings of the Executive Board and management meetings, and reporting to the Vitesco Technologies Group AG Supervisory Board. The Company's monitoring and management throughout the year is based on an extensive system of standardized reports about earnings,financial, and net asset position. When the Executive Board and managers meet, they discuss the current result of operations, including the achievement of targets and objectives, as well as the outlook for the year as a whole and any action that may be required.

The internal management system at Vitesco Technologies is designed to support the execution of the Group's strategy to grow sustainably while increasing its value. A value-based approach to manage the business-portfolio is an integral component of all planning, management, and monitoring processes.

FINANCIAL PERFORMANCE INDICATORS

Key financial performance indicators for the Vitesco Technologies Group relate to the development of sales, capital employed, and the adjusted EBIT margin as well as the amount of capital expenditure and free cash flow. In order to use these financial performance indicators for management purposes as well, and to incorporate the interdependencies between these indicators, we condense them into key figures within a value-driver system.

The capital that the Company has access to must be used profitably and sustainably in order to create lasting value. It achieves this goal by generating a positive return on the capital employed in each business unit. At the same time, this return must always exceed the financing costs of the equity and debt that goes toward acquiring working capital.

The performance indicators used are EBIT, capital employed, and the weighted average cost of capital (WACC), which is calculated from the proportional weight of equity and debt costs. The cost of capital is calculated by weighting the costs of equity and debt proportionally.

EBIT is calculated based on the ongoing revenue-generation process, that is, as the result of sales, product costs, other operating costs, and other income and expenses plus income from investments but excluding net finance income and income taxes.

Capital employed is the funds used by the company to generate its sales. It draws on property, plant, and equipment; intangible assets, and working capital, the last of which comes from operational trade receivables and inventories less operational trade payables. The annual average of these operating assets is calculated as the arithmetic mean of the values for each quarterly reporting date.

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) allows for a holistic analysis. We deal with the problem of differing periods of analysis by averaging the capital employed based on the quarterly-reporting figures.

The weighted average cost of capital (WACC) is calculated to determine the cost of financing the capital employed. Equity costs are based on the return from a risk-free alternative investment plus a market-risk premium, taking into account Vitesco Technologies' specific risk. Borrowing costs are calculated based on the weighted borrowing-cost rate at which Vitesco Technologies accrues debt.

Value is only added if the return on capital employed (ROCE) exceeds the weighted average cost of capital (WACC).

ROCE by Business Unit (as a %)	2021	2020
Electrification Technology	–635.1	–303.5
Electronic Controls	5.4	–2.1
Sensing & Actuation	22.5	3.9
Contract Manufacturing	45.4	21.2
Vitesco Technologies Group	**1.6**	**–11.5**

In addition to its focus on ROCE as a strategic financial performance indicator, Vitesco Technologies also focuses on continuously monitoring and increasing the following three operations-related financial performance indicators:

> Sales growth
> Adjusted EBIT margin
> Free cash flow

These three key figures are the basis for operational decision making and also the foundation for forecasts. Continuously improving on these key figures also helps to increase the ROCE.

Sales growth. Growth in sales increases the value created by the Company and also determines the level of resources needed for its business activities. Sales growth measures the year-on-year percentage change in sales. In order to achieve an analysis of business development that is as transparent as possible and to ensure comparability over time, the sales growth presented here does not include currency impacts and changes in the scope of consolidation. Sales growth is also compared against relevant market indicators in order to assess the development of the Company's position in the market and among competitors.

Adjusted EBIT margin. The adjusted EBIT margin is also drawn on as a metric for Vitesco Technologies' business operations and also contributes to value creation. The adjusted EBIT margin is a relative key figure that is defined as the ratio of adjusted EBIT to adjusted sales and measures the profitability of the Company's operations. The adjusted EBIT used for it is EBIT adjusted by the amortization of intangible assets from purchase-price allocation (PPA), changes in the scope of consolidation, and special effects. The adjusted EBIT margin enables a transparent assessment and greater comparability of operational performance over time.

Free cash flow. Free cash flow measures cash inflows within a given period. It is defined as the sum of cash flow from operating activities and cash flow from investing activities. The key influences over free cash flow are profitability along with effective working-capital management and the amount of money put into investments. Free cash flow therefore has an effect on the development of capital employed as time goes by.

FINANCING STRATEGY

Our financing strategy aims to support the value-adding growth of the Vitesco Technologies Group while at the same time upholding an equity and debt structure commensurate with the risks and rewards of our business and net debt. The Finance & Treasury Group function provides the necessary financial framework to finance corporate growth and safeguard the long-term existence of the Company. This financing is provided primarily through the existing liquidity within the Vitesco Technologies Group.

Vitesco Technologies Group AG and Vitesco Technologies GmbH, Regensburg signed a framework credit agreement on March 24, 2021 with two revolving tranches for a total credit amount of €1,000.0 million. It consists of a core credit facility of €750.0 million and an incremental credit facility of €250.0 million. The credit facilities are being used as finance for general corporate purposes and are secured with a package of collateral made up of shares pledges, pledged bank accounts, and assigned intercompany receivables from Vitesco Technologies GmbH and every material subsidiary. The credit facilities are designed to have an initial term of three years and have options to extend by a maximum of two years. They come with specific covenants, obligations, and termination rights.

The Company’s gross debt is intended to be a balanced mix of liabilities to banks and other sources of finance on the capital market. The syndicated loans had not been drawn down on and there were no liabilities to banks at year-end 2021.

The Vitesco Technologies Group applies a rule of internal financing for finance within the Group. This involves the finance needs of domestic and foreign subsidiaries being met through internal liquidity management, primarily with cash pools and internal borrowing relationships.

Centralized treasury management ensures a consistent identity for dealings in financial and capital markets and, in the future, credit-rating agencies. It strengthens the Group’s position in negotiations with financial institutions. Furthermore, our centralized treasury management also lets financial risks (such as currency or interest) be managed Group-wide based on net positions.

Vitesco Technologies credit rating

Vitesco Technologies Group AG had not received a rating from a credit-rating agency so far during the reporting period.

RESEARCH AND DEVELOPMENT

THE DRIVETRAIN’S FUTURE IS ELECTRIC

Most of the vehicles produced around the world will feature a fully or partially electric drivetrain by 2030.[1] The large number of new, electrified vehicles and newly created vehicle manufacturers and segments are major opportunities for Vitesco Technologies. Meeting the variety of customer requirements demands scalability and extreme efficiency in both production as well as development. Vitesco Technologies has a goal of using research and development to achieve constant improvements of functionality, performance, and efficiency. Moreover, Vitesco Technologies strives to reduce the weight and costs of individual components so it can position itself among competitors as an attractive supplier.

Integrated final drive

The development of the latest generation of integrated final drive is a good example of this. It is already the fourth generation of Electronics Motor Reducers (EMR) from Vitesco Technologies, delivering up to 5% more final-drive efficiency compared to the third generation, significantly greater scalability with power between 80 kW and 230 kW, and considerable cost advantages. The technology for all variations of the EMR 4 platform can be manufactured on the same production line thanks to the high level of standardization. The production site in Tianjin, China is supplying local and international carmakers with the new EMR 4 drive following its debut to the public in 2021.

High-voltage power converters

In power electronics, Vitesco Technologies sees an innovative trend toward more sustainability and efficiency in silicon-carbide (SiC) and gallium-nitride (GaN) semiconductors. Vitesco Technologies has signed off on a strategic partnership with ROHM, a Japan-based company, for the development of SiC technology. SiC transistors are more efficient and smaller than silicon transistors and are also more economical when viewed as part of a system. Applications in high-voltage power converters for 400-volt and 800-volt usage are particularly advantageous automotive applications at the moment. SiC technology can help to increase the range of a vehicle and therefore significantly raise the overall energy efficiency of an electric vehicle.

Vitesco Technologies has also signed off on a strategic partnership with GaN Systems Inc., a company based in Canada in which Vitesco has a 1.7% interest. Similarly to SiC transistors, GaN transistors offer great potential for vehicle applications. They are also more efficient and smaller than silicon transistors and are more economical when viewed as part of a system. The areas for their application are charging and transforming electrical energy in electrified vehicles. GaN Systems Inc. and Vitesco Technologies are aiming to make this new technology accessible for appealing automotive applications through their joint development work.

Vitesco Technologies is also increasingly focusing on electrification outside the Electrification Technology business unit, which is where the above products are being developed. For instance, Electronic Controls is using its expertise in motor-control systems to develop high-voltage electronics boxes while Sensing & Actuation will continue developing its existing

1) Powertrain Market Outlook 2030: study extract, February 2021, Roland Berger.

product portfolio to move it more toward thermal management and other relevant sensor and actuator applications in an electrified environment.

High-voltage electronics boxes

High-voltage boxes integrate the functions of an onboard charger (OBC) and a DC/DC converter in a single unit to enable rapid charging for battery-electric and plug-in hybrid vehicles from all types of charging sources. Vitesco Technologies has developed a modular concept for high-voltage boxes and it can be used for different voltage and power classes. Current planning also sees future generations using the SiC and GaN technologies and enabling efficient bidirectional charging.

Thermal management

The thermal-management solutions from Vitesco Technologies aim to run electric drive systems, high-voltage electronics, and batteries in an optimal temperature range with maximum energy efficiency. Their intelligent control over thermal flows boosts the electric range of a vehicle. What’s more, the charging time – especially when rapid-charging – can be shortened thanks to the optimal temperature control over the high-voltage battery.

The Vitesco Technologies product portfolio includes electric pumps, mixing valves, switching valves, and sensors that are all efficient and modular. To reduce the complexity of the systems in electric vehicles, Vitesco Technologies also develops highly integrated solutions consisting of pumps, valves, and sensors. The Vitesco Technologies product portfolio is also well positioned for cooling electric motors with particularly high power density using oil, instead of a conventional water and glycol mix.

In addition to developing new products for innovative problem-solving approaches, Vitesco Technologies endeavors to optimize both its production as well as its research and development constantly. For example, it develops futuristic manufacturing technologies such as laser-welding processes with novel wavelength technology. It optimizes drive control with innovative casing solutions and utilizes the expertise that it has to develop central control devices and zone-control devices. To improve the emissions performance of combustion engines and hybrid vehicles, Vitesco Technologies focuses on things such as developing electrically heated catalysts and extending NOx-sensor usage to gasoline engines. Enhancing software solutions is also an example of how Vitesco Technologies can add value for its customers.

The research and development costs (net) associated with these developments were spread out as follows in the 2021 fiscal year:

	2021		2020	
Research and Development Costs (Net)	€ million	% of sales	€ million	% of sales
Electrification Technology	239.3	40.8	189.1	46.6
Electronic Controls	260.4	7.4	290.7	8.0
Sensing & Actuation	193.3	6.0	187.4	6.4
Contract Manufacturing	–0.3	–0.0	13.8	1.3
Vitesco Technologies Group	**692.7**	**8.3**	**681.0**	**8.5**
Capitalization of research and development costs	**28.5**		**35.4**	
As % of research and development costs	4.3%		5.5%	
Amortization of capitalized research and development costs	**33.7**		**32.4**	

SUSTAINABILITY AND CONSOLIDATED NON-FINANCIAL STATEMENT

This chapter presents the Consolidated Non-financial Statement in accordance with § 315c, in conjunction with §§ 289c to 289e, of the German Commercial Code (HGB) and in accordance with the European Parliament and Council's Regulation (EU) 2020/852 of June 18, 2020 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation) for Vitesco Technologies for fiscal 2021. This statement was audited by the Supervisory Board, and on its behalf by KPMG AG Wirtschaftsprüfungsgesellschaft, with reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000. In contrast to the other chapters of the non-financial statement, the statement on the taxonomy regulation was audited with limited assurance engagement. The independent auditor's report can be found in the end of this chapter.

NOTES ON THE REPORTING

The standards of the Global Reporting Initiative (GRI), insofar as they are compatible with the requirements of the German Commercial Code (HGB), provide the framework for preparing the non-financial statement. In accordance with § 315c in conjunction with §§ 289c to 289e HGB, the declaration therefore contains information on environmental, employee-related, and social matters, as well as on the topics of respect for human rights and anti-corruption and -bribery, to the extent that this is necessary for understanding the company's business performance, results of operations, and situation, as well as the company's impact on the aforementioned aspects. In addition, the statement identifies material product topics relating to environmental and social concerns. For specific information on the share of Vitesco Technologies' environmentally sustainable business activities in total turnover as well as the capital and operating expenditure, the Taxonomy Regulation and the associated delegated legal acts of the EU Commission apply as a framework.

An internal analysis that takes into account Vitesco Technologies' business model – which is presented in the chapter on Group Strategy– as well as the company's voluntary commitment to sustainability-related internal and external rules, guidelines and frameworks, legal obligations as well as the requirements of relevant stakeholders such as customers and business partners, investors, employees and civil society, identified the following topics as material for the purposes of this reporting (besides the information required in accordance with the Taxonomy Regulation):

Key Topics in Sustainability Reporting		*Correspondence §289c HGB*
Focus topics:	Clean Mobility	Environment, Product
	Climate Protection	Environment
	Resource Efficiency and Circularity	Environment
	Fair Work and Diversity	Employees, Human Rights
	Responsible Sourcing and Partnerships	Environment, Social Affairs, Combating Corruption and Bribery, Product
Other material topics:	Occupational Health and Safety	Employees, Human Rights
	Quality and Product Integrity	Product
	Innovation	Product, Environment, Social
	Business Ethics and Anti-Corruption	Employees, Human Rights, Combating Corruption and Bribery

The concepts, due diligence processes, results, and key performance indicators (KPIs) relating to these topics are presented below. In the course of the spin-off of Vitesco Technologies from Continental AG, numerous organizational processes were reorganized, and calculation methodologies were adapted to the changed structures. As a result, the 2020 KPIs collected for Continental AG reporting purposes are not sufficiently comparable with this year's KPIs and have therefore not been included. Risk reporting is provided in the Risk and Opportunity Report section. Beyond this, no risks of material importance for management reporting within the meaning of §289c of the German Commercial Code (HGB) have been identified.

The company's broader sustainability-related direct or indirect impacts on the business environment and its stakeholders are additionally presented in the separate Vitesco Technologies Sustainability Report. The concepts described in the Consolidated Non-Financial Statement and in expanded form in the separate report include the risk management approaches, processes and countermeasures established in each case with regard to these impacts and the aspects described in the Risk and Opportunity Report.

The separate Vitesco Technologies Sustainability Report has a modular structure and amalgamates the information from the Consolidated Non-Financial Statement, Management Report, Consolidated Financial Statements and other sources as well as supplementary information in accordance with the standards of the Global Reporting Initiative (GRI), the United Nations Global Compact, the Sustainability Accounting Standards Board (SASB), and the Taskforce for Climate Related Financial Disclosures (TCFD). The separate report is available online in the Sustainability section (ir.vitesco-technologies.com).

SUSTAINABILITY MANAGEMENT

Strategic Anchoring

Sustainability is an integral part of Vitesco Technologies' business model and is at the core of its mission: Powering Clean Mobility. With innovative and efficient solutions, the company aims to help reduce the environmental impact of the automotive industry worldwide and promote emission-free mobility in the long term. Vitesco Technologies' management is actively driving this transformation and aligning the portfolio to the electrified future, while targeting profitable growth and operational strength.

Beyond its products, Vitesco Technologies pursues the goal of advancing sustainability in all business operations along the value chain. DIRECTION 2030, described in the Group Strategy chapter, formulates this in the "Driver of Sustainability" claim, thereby identifying sustainability as one of five strategic focus areas. A Sustainability Agenda adopted at Executive Board level with clearly defined targets and KPIs provides the framework for the strategic further development, management, and implementation of the topics identified as material for this.

The company also takes the strategic importance of sustainability into account by integrating selected performance indicators from the Sustainability Agenda into the Executive Board's and senior executives' variable long-term incentives (LTI). More information on this can be found in the Remuneration Report and the separate Sustainability Report.

Sustainability Organization

To create an organizational structure for managing and implementing the Sustainability Agenda, Vitesco Technologies implemented the Sustainability, Security, Safety & Health department in 2020, which, in addition to its role as the occupational health and safety specialist department, bundles all corporate activities in the area of sustainability and coordinates the cross-functional strategy development and implementation required for this purpose. The area of responsibility of the specialist department includes the coordination of the Sustainability Committee and the Sustainability Core Team of Vitesco Technologies as well as the task of sustainability and non-financial reporting.

The Sustainability Committee of Vitesco Technologies is chaired by the Chief Human Resources Officer at the highest management level and is staffed with permanent members of management (including the Chief Financial Officer and several heads of business units) as well as internal experts. It steers and monitors the implementation of the Sustainability Agenda. In addition, the Sustainability Committee makes decisions regarding sustainability targets, indicators, projects, and measures. Furthermore, the committee advises the Sustainability Core Team and the Executive Board and - if necessary - prepares Executive Board decisions. It meets four times a year.

At the operational level, a Sustainability Core Team with designated roles to address environmental and social issues in the various functions (e.g. Technology & Innovation, Environmental Protection, Sales, or Procurement) is responsible for implementing the Sustainability Agenda along the value chain.

Beyond this, sustainability activities and accompanying measures are also planned and implemented from the specialist departments responsible for a given topic, as part of the business units' product development, and decentrally via country coordinators or directly at the individual Vitesco Technologies sites.

SUSTAINABILITY AGENDA – MATERIAL TOPICS

Vitesco Technologies' Sustainability Agenda was developed by the specialist department Sustainability, Security, Safety & Health and Sustainability Core Team and was approved by the Sustainability Committee in 2021. It provides a framework for managing social, environmental, and governance topics in Vitesco Technologies' business activities and is codified in the company's Sustainability Policy.

The Sustainability Agenda is based on an internal materiality analysis. In addition to legal requirements and those of customers, business partners, the capital market, employees, and the public, it also reflects the commitment to external frameworks. In particular, these include the United Nations Sustainable Development Goals, the principles of the UN Global Compact signed by Vitesco Technologies, the UN Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the United Nations Convention against Corruption. In addition, there are the Core Conventions of the International Labor Organization (ILO Declaration on Fundamental Principles and Rights at Work), the OECD Guidelines for Multinational Enterprises and the Paris Agreement on Climate Change, as well as other topic-specific guidelines and standards.

Vitesco Technologies' own guidelines relating to the material sustainability topics include the Code of Conduct for employees and Business Partner Code of Conduct, the Human Rights Policy and the Environment, Safety and Health (ESH) and Energy Management Policies. There is also a claim of conformance with the standards of the Responsible Business Alliance, of which Vitesco Technologies is a member.

With its topics and objectives, the Vitesco Technologies Sustainability Agenda builds on these guidelines and directives, expands on them, and successively develops them further in line with the strategic claim of being a "Driver of Sustainability." Five topics are of particular strategic relevance to the company's transformation process: 1. Clean Mobility, 2. Climate Protection, 3. Resource Efficiency and Circularity, 4. Fair Work and Diversity, and 5. Responsible Sourcing and Partnerships. Among other things these focus topics are very relevant for customers and investors in the market, and are very visible in the public discussion, with an accordingly dynamic and dense regulatory environment. The ambitions associated with the focus topics as well as specific quantitative targets and KPIs are reported in the following topic(-specific) sections.

Clean Mobility

Objective

Powering Clean Mobility" is the Vitesco Technologies mission, so promoting the expansion of clean, climate-neutral mobility is a declared goal and an integral part of the company's strategy. Linked to this is the ambition, as an automotive supplier, to play a leading role in the market in the transformation of powertrain technologies towards electrification and zero-emission mobility, and to actively contribute to greater efficiency and a reduction in the automotive industry's impact on the climate and environment through innovative solutions.

Concept

Fundamental to this is the Executive Board's strategic decision to phase out technologies that, in line with this goal, are not part of the core business and have no strategic prospects long-term. This is accompanied by a resolution to focus increasingly on the electrified business across all business units. Recent changes in the global automotive market and automotive industry confirm the direction of the path taken.

In the transformation process, Vitesco Technologies is banking on products and technologies for the electric powertrain as well as on electrification solutions for hybrid vehicles. While electric drive implies zero emissions, the electrification of hybrids focuses on improving engine efficiency, enabling fuel savings, and reducing pollutant and CO_2 emissions, among other things.

Further information on this can be found in this Annual Report in the Group Strategy chapter, Research and Development chapter, and in the Risk and Opportunity Report.

Results

The key performance indicator in implementing the "Clean Mobility" focus topic is the revenue generated by Vitesco Technologies' business with electric and electrified solutions (the "electrified business"). In line with the orientation of the company's portfolio as described above, this revenue is comprised of two factors. Firstly, from the business with "pure electric" products, components, and solutions; these are required for the operation of the electric drive system. Secondly, from the business with products, components, and solutions for electrification in hybrid drive systems; these form a key component required for hybrid drive systems in general. Revenue generated with electric and electrification solutions amounted to € 888.1m in fiscal 2021. This corresponds to a 10.6% share of Group revenues.

KPIs Clean Mobility	**2021**
Revenue from electric and electrified solutions in € millions	888.1
Share of business with electric and electrified solutions in Group revenues in %	10.6

Further information on the topic of clean mobility and the relevant indicators can also be found below in the section Disclosures in Accordance with the Taxonomy Regulation as well as bundled in the separate Sustainability Report online under the section Sustainability (ir.vitesco-technologies.com).

Climate Protection

Objective

In accordance with the Paris Climate Agreement, Vitesco Technologies has undertaken to limit global heating to 1.5 degrees Celsius and to take measures actively to prevent, reduce, and, where necessary, offset greenhouse-gas emissions. Its objective is to achieve net climate neutrality in its own business activities and, step by step, throughout its value chain. All carbon-emissions data in this report is based on CO_2-equivalent (CO_2e) measurements.

The following stages have been defined for achieving the objective:

> Since 2020: Zero CO_2 emissions (Scope 2) from external electricity purchases at the relevant production and research and development sites through a complete switch to renewable energies, including through special electricity supply contracts (Power Purchase Agreements PPAs, Green Tariffs), the purchase of Energy Attribute Certificates (EACs), and self-generated renewable energy.
> By 2030: 100% climate neutrality of own operational activities (CO_2 emissions Scope 1 and 2).
> By no later than 2040: 100% climate neutrality of the entire value chain (CO_2 emissions Scope 1-3).

Targets for reducing or climate-neutralizing CO_2 emissions from the company’s own operating activities (Scope 1 and 2) are also part of the LTI for executives and are thus strategically integrated into Vitesco Technologies’ remuneration system.

> The company is also striving to improve the carbon footprint of its product life cycles. To this end, life cycle-oriented product development based on certified life-cycle analyses is to be gradually applied to all new products and part numbers. This is to be implemented for 100% of all new products and part numbers by 2030. An important element here is the automation of life-cycle analyses. The collection and evaluation of data from internal processes and processes in the supply chain are to be automated by 2023. In a parallel development, the supply chain is to be capable of collecting production-related data and making it available in an automated manner by 2025.

Concept

The development of Vitesco Technologies’ climate-protection concept is the responsibility of the Sustainability Committee described in the section on Sustainability Management, as well as of the Sustainability Core Team with the respective specialist departments represented therein, and was approved by the Executive Board with the stated objectives.

With regard to its operational implementation, the Group’s Quality and Environmental Protection, Technology and Innovation, and Operations (including Facility Management and Logistics) functions, as well as the Sustainability, Security, Safety & Health, play a particularly important role.

The transformation to climate neutrality in the company’s own activities and in the value chain is to be achieved primarily through the use of renewable energies from third-party sources (e.g. via EACs or PPAs) as well as in-house (e.g. photovoltaic-based) sources, through efficiency improvements, and through the development of new technologies.

Expanding the automation of life-cycle analyses plays a crucial role in achieving life-cycle optimization for low-carbon new products. The ISO 14040 and 14044 external standards are applied for this. Besides awareness-raising measures, competence transfer, and the establishment of processes and tools in the company’s own business units, another key factor is empowering the supply chain to make their life-cycle and carbon footprint-relevant product data transparent.

Results

The key performance indicator for implementing the concept in the area of climate protection is the company's own CO2 emissions defined as Scope 1 and 2 in the Greenhouse Gas (GHG) Protocol. These include direct CO2 emissions from fossil fuels (Scope 1 of the GHG Protocol) and indirect CO2 emissions from the purchase of electricity, steam, and heat (Scope 2 of the GHG Protocol, according to the market-based calculation method). Vitesco Technologies' own CO2 emissions (Scope 1 and 2) totaled 0.340 million tons of COe2 (location-based) in fiscal 2021. The company sourced 100% of its external purchased electricity at its relevant production and research and development sites from renewable sources. This means that no more CO2 emissions are generated for external electricity purchased at these sites (market based). Vitesco Technologies is a member of the RE100 initiative. Direct CO2 emissions were reduced through the purchase of biomethane. Because of this, and other energy efficiency measures taken (see also section on Resource Efficiency and Circularity), Vitesco Technologies' own operational activities were already 90.6% climate neutral in 2021.

Reporting on Vitesco Technologies' total indirect Scope 3 emissions can be found in detail in the separate Sustainability Report, along with additional information on climate protection and life-cycle projects.

KPIs Climate Protection	**2021**
Direct CO2 emissions (Scope 1) in million t CO_2e[1,2,4]	0.028
Indirect CO2 emissions (Scope 2 location-based) in million t CO_2e[1,2,3]	0.311
Indirect CO2 emissions (Scope 2 market-based) in million t CO_2e[1,2,3]	0.003
Own CO emissions (location-based) total in million t CO_2e [1,2,3,4]	0.340
Total own CO emissions (market-based) in million t CO_2e[1,2,3,4]	0.032
Share of external electricity procurement from renewable energies in %[1,2,3]	100.0
Climate neutrality rate of total own CO_2 emissions in %[1,2,3,4]	90.6

1) Per the GHG Protocol definition.
2) Coverage of relevant production sites and research and development sites.
3) Calculated using the market-based method under the GHG Protocol. The standard emissions factors from Defra (September 2020) were used wherever contract-specific emissions factors were unavailable.
4) Includes procurement of biomethane.

With regard to lifecycle-optimized product development, the focus in FY 2021 was on training measures and the piloting of lifecycle analyses.

Further information and key figures on the topic of climate protection are bundled in the Sustainability section of the separate Sustainability Report online (ir.vitesco-technologies.com).

Resource Efficiency and Circularity

Objective

Based on globally established management systems, Vitesco Technologies strives for an efficient use of natural resources and the prevention and reduction of waste and environmental pollution such as emissions to soil, air, and water. In addition to reducing the consumption of water, raw materials and operating supplies, the company aims in particular to reduce energy consumption. This is closely linked to Vitesco Technologies' Climate Protection targets (see "Climate Protection" section). Other items on the agenda include increasing the rate of waste recycling, reducing plastic, and using recycled materials. In the medium term, the company has set itself the following targets for "Resource Efficiency and Circularity":

- Increase and maintain the proportion of employees covered by certifications for environmental management systems (ISO 14001 or comparable) and energy management systems (ISO 50001 or comparable) to over 90% by 2030.
- Increase the waste recycling quota – defined as the proportion of waste that has been recycled or sent for material recycling, energy recovery, or other use – to 95% by 2030.

The target of increasing the waste recycling quota is part of the variable long-term incentive (LTI) for executives in Vitesco Technologies' compensation system and is therefore strategically integrated.

Concept

The company's ESH and Energy Policies provide the framework for resource efficiency measures, waste management, and operational environmental protection. Local management systems advance the implementation of the principles set out in these policies. Corresponding organizational and technical specifications are contained in the respective ESH management manuals.

The Environmental Protection department in the Central Quality and Environmental function is responsible for strategic, company-wide environmental management, including monitoring and reporting on environment-related KPIs and other indicators. It is supplemented by ESH functions in the countries. The operative environmental protection tasks onsite are the responsibility of the site management and is coordinated by local ESH managers and supported by energy managers.

In the transformation to circularity, Purchasing and the central Technology & Innovation function also play an important role, in cooperation with the business units' product development departments. The outcome from the activities in the area of lifecycle analysis and optimization described in the Climate Protection section is of relevance. In addition to the targeted CO2e, improvements, "Designing for Circularity" approaches are also successively being integrated here. Beyond this, various initiatives and projects related to this are being run at different levels within the company.

Results

The KPIs for the above-mentioned Resource Efficiency and Circularity targets developed as follows in fiscal 2021:

KPIs Resource Efficiency and Circularity	**2021**
Certifications for environmental protection management systems (ISO 14001) Employee coverage (as of Dec. 31) in %	91.4
Certifications for energy management systems (ISO 50001) Employee coverage (as of Dec. 31) in %	81.8
Waste recycling quota in % [1,2]	92.6

1) Definition: Percentage of waste that was recycled or sent for material, thermal, or other recovery.
2) Coverage of relevant production and relevant research and development sites..

In fiscal 2021, the majority of Vitesco Technologies' employees were covered by certified environmental protection and energy management systems. The coverage rate with regard to certifications for environmental protection management systems according to ISO 14001 was 91.4% as of December 31, 2021. Regarding certifications for ISO 50001 energy management systems, a coverage of 81.8% of employees was achieved.

The waste recycling quota, the third key performance indicator for the topic area of Resource Efficiency and Circularity, was 92.6% in fiscal 2021. With the help of a Group-wide awareness and participation campaign on the topic of resource conservation and waste avoidance, which was launched globally in 2021 under the leadership of the Environmental Protection department, further progress is to be made with regard to the waste recycling rate.

Further information and key figures on the topic area of Resource Efficiency and Circularity are bundled in the Sustainability section of the separate Sustainability Report online (ir.vitesco-technologies.com).

Fair Work and Diversity

Objective

Passionate, Partnering, Pioneering – these are the values that guide Vitesco Technologies as it pursues the goal of offering its employees fair and attractive working conditions with personal freedom, opportunities for further training and career development, flexibility, and a special focus on diversity, equity, and inclusion. This aspiration, summed up as the "Great People, Great Company" focus area, also forms an essential pillar of Vitesco Technologies' DIRECTION 2030, which is presented in the Group Strategy chapter. Behind this is the conviction that happy employees in a fair and diverse working environment are a key factor for Vitesco Technologies' sustainable business success.

Against the backdrop of technological change toward electrification, HR work also includes managing the associated shifts in required resources and expertise, and supporting employees through the transformation process with appropriate measures. Training and development, as well as dialogue with employees and their representatives in a spirit of partnership, play a decisive role here, as does retaining and recruiting talent based on a convincing positioning as an attractive employer.

In the field of Diversity, besides the aspect of internationality, Vitesco Technologies places a particular priority on strengthening the role of women in the workplace. Information on the Diversity Concept and targets at the level of the Supervisory Board, Executive Board and the management level below the Executive Board can also be found in the Corporate Governance chapter.

As part of its Sustainability Agenda, the company is pursuing two key targets in the area of Fair Work and Diversity:

- Raise share of women in Executive and Senior Executive positions to 20% across the company by 2025
- Increase the Employee Net Promoter Score (eNPS) – a measure of employee satisfaction – to 20 points by 2030. To determine the eNPS, employees answer the question "How likely are you to recommend Vitesco Technologies as an employer to friends and family?" in a regularly conducted survey.

Reliable labor standards and the protection of human rights in all company activities are also an essential basis and goal of the HR work done by Vitesco Technologies. Implicit in this are the principle of freedom of association and the right to collective bargaining, clear regulations on working hours, wages, and social benefits, and zero tolerance of human rights violations including child labor, forced labor and modern slavery, as well as any form of violence, harassment, and discrimination. By the beginning of 2023, existing processes for monitoring and implementing labor standards and human rights due diligence are to be systematically expanded in the HR management systems as well.

For more information on human rights due diligence, see the Responsible Sourcing and Partnerships chapter.

Concept

The Vitesco Technologies Code of Conduct adopted by the Board of Directors and the company's Human Rights Policy set out the cornerstones for fair work and diversity. The Code of Conduct and the Human Rights Policy also comply with the standards of the Responsible Business Alliance industry association, of which Vitesco Technologies has been a member since 2021. Employees receive regular training on the Code of Conduct. From 2022, regular training is also planned on the focus topic of Human Rights.

Vitesco Technologies' strategic HR work is coordinated and managed from the Human Relations (HR) & Sustainability (S) Group function under the supervision of the Chief Human Resources Officer (defined in the HR&S Manual). All strategic HR activities are embedded in the DIRECTION 2030 group strategy and are accompanied by the company values. At its core, the strategic contribution of the HR&S Group function focuses on efficient processes, a future-proof organization, and successful transformation. The methodology and process of implementing the HR strategy is supported by two main instruments: 1. A target business model describes and defines the various roles, responsibilities, and working methods within the global HR&S Group function. 2. An HR management system is currently being set up for documenting and managing HR-related guidelines, standards, processes, forms, and instructions; it will be used to manage business processes as well as identify and mitigate process-related risks. The establishment of the Vitesco Technologies HR Management System is expected to be completed by the end of 2022.

The Group function HR&S comprises seven cross-company Centers of Expertise (CoE) that report directly to the Chief Human Resources Officer: 1. Talent Management, Organizational Development, Employer Branding and Recruiting; 2. Group Reward, Global Mobility & Business Travel; 3. Labor Relations; 4. Global People Services; 5. People Analytics & Technology; 6. Sustainability, Security, Safety & Health; and 7. Diversity, Equity, & Inclusion. Regional HR country contacts in the various countries, and HR contacts with responsibility for Vitesco Technologies' business units, are functionally reporting to the Chief Human Resources Officer.

All heads of the Centers of Expertise, as well as the functional HR contacts in the countries and business units, meet in monthly HR&S management team meetings. The meeting serves as the central steering and decision-making body within the HR&S Group function. The progress of ongoing projects, activities, and initiatives within the Group HR&S function of Vitesco Technologies is reported here. When staffing and implementing projects, care is taken to ensure a balanced involvement of all HR contacts so that equal consideration is given to the individual perspectives of the business units, Centers of Expertise, and countries.

The regular review of progress towards increasing the share of women in management positions is carried out through quarterly reporting to the Executive Board. In addition to presenting the current share of women, the reporting also includes a forecast of future developments and measures that have been defined for their implementation. The share of women in management positions is also integrated as a key performance indicator in the LTI for executives.

Vitesco Technologies conducts employee surveys to monitor and incorporate employee concerns and satisfaction levels. In addition, there is a regular exchange of views with trade unions and employee representatives at various levels of the company. In Germany, for example, there are local works councils at all Vitesco Technologies GmbH, Vitesco Technologies Germany GmbH, Vitesco Technologies Emitec GmbH and Vitesco Technologies Roding GmbH plants, as well as three general works councils for the first three companies mentioned. In these, as in Vitesco Technologies Group AG, there are also co-determined supervisory boards.

In 2021, with the spin-off from Continental AG, a European Works Council was also established.

Results

In FY 2021, implementing the described organizational structures and processes for HR work formed a focus of activities.

The KPIs defined for Fair Work and Diversity developed as follows:

KPIs Fair Work and Diversity	2021
Share of women in management positions (executives and senior executives; as of Dec. 31) in %	13.6
Employee Net Promoter Score, eNPS[1]	19

1) The reported value is the average value from two short employee surveys conducted in 2021 ("Pulse Checks"). The question "How likely are you to recommend your company as an employer to friends and family?" was answered on a scale of 0-11. The eNPS is then calculated by subtracting the proportion of "detractors" from the proportion of "promoters." Detractors rate their likelihood of recommending their employer with a score of 0 to 6 ("very unlikely" to "not likely"), while promoters rate it at 9 or 10 ("likely" to "very likely"). "Passives," who give ratings of 7 and 8, are not counted. A result of between -100 and +100 is possible.

The share of women in management positions (executives and senior executives) throughout the Group is 13.6%. Key measures to increase the share of women included special consideration and promotion of the "Female Talents" focus group in internal talent management and a mandatory mix of women and men in the recruitment process during interviews and in the short-listing process. Vitesco Technologies is also working on gender-sensitive design of job advertisements and tries to take this into account in all job postings. To reaffirm its commitment to gender diversity and equal opportunities, Vitesco Technologies has also been a signatory to the UN Women's Empowerment Principles and the Diversity Charter since 2021.

The second key performance indicator, the employee Net Promoter Score (eNPS), was 19 in 2021. The eNPS 2021 is the average of two eNPS surveys conducted in fiscal 2021. The company's explicit promoters (rating of 9 or 10) clearly outweighed its detractors (rating of 0 to 6), sending a positive signal of employee satisfaction and Vitesco Technologies' attractiveness as an employer. The surveys were addressed to all Vitesco Technologies employees with a valid email address. The average response rate was 44%.

The company achieved further significant results in the HR topics of flexibility and personnel development. For example, in addition to the option of time off in the event of a child's illness, parental leave, grandparental leave, educational leave and sabbaticals, Vitesco Technologies continued to offer its employees the option of home office introduced in 2020; as well as, depending on the various local laws, part-time work, bridging part-time work and predominantly flextime agreements at the sites. Vitesco Technologies was thus able to successfully meet the challenges of flexible working associated in particular with the COVID-19 pandemic in 2021 as well.

To support and develop its staff in the transformation process, Vitesco Technologies also continued its qualification offensive for electrification and e-mobility launched in 2019. In 2021, the offering was expanded worldwide for individual learning: at universities, with in-house coaches, or on-the-job. In this connection, the in-service training Electrification Program I & II was held in 2021 in collaboration with universities in Germany, and by internal experts due to the pandemic.

Further information on personnel expenses in the 2021 fiscal year, i.e. wages and salaries, social security contributions, and pension expenses, can be found in the Notes to the Consolidated Financial Statements in section 9 (Personnel Expenses). Employee benefits, such as pensions, retirement benefits and long-term bonuses, are broken down in the Notes to the Consolidated Financial Statements in section 26 (Employee Benefits).

Further information on the topic of Fair Work and Diversity is bundled in the Sustainability section of the separate Sustainability Report online (ir.vitesco-technologies.com).

Responsible Sourcing and Partnerships

Objective

Vitesco Technologies aspires to socially and environmentally responsible action along its entire value chain. Ethical business practices, sustainability, and human rights due diligence are therefore guiding principles for the company's business relationships as well. Particular attention is paid to responsible purchasing processes. Transparency, risk analyses, and appropriate control mechanisms in the collaboration with direct and selected indirect suppliers are central to this.

For its further development in the field of Responsible Sourcing and Partnerships, Vitesco Technologies is pursuing the following goals:

> Increase and maintain the percentage of strategic suppliers covered by the Code of Conduct for Business Partners to 100% by 2023.
> Expand the management system for human rights due diligence in the supply chain in accordance with internal and external standards as well as legal requirements by 2023.
> Introduce an audit system for high-risk suppliers by 2023.

Concept

Responsible action in the value chain begins with specific requirements that Vitesco Technologies already includes as binding clauses in its contracts with its direct suppliers. The Business Partner Code of Conduct sets out the basic requirements for suppliers, including their upstream supply chain, with regard to working conditions, human rights, environmental protection, and anti-corruption, among other things.

In the future, potential new suppliers are to be screened for sustainability issues in accordance with company specifications before entering into a business relationship.

In general, violations of the standards established by Vitesco Technologies can be reported at any time via the globally accessible Integrity Line. Reports are followed up and resolved. On-site inspections are conducted if there are concrete grounds for suspicion. Where infringements are identified, Vitesco Technologies demands improvement measures and reserves the right to terminate the business relationship.

Since June 2021, Vitesco Technologies has also been a member of the Responsible Business Alliance (RBA), a nonprofit industry initiative dedicated to improving social, environmental, and ethical conditions in global supply chains. Through this membership, the RBA Code of Conduct has also been ratified as binding for Vitesco Technologies and its business partners. The standards are reflected accordingly in Vitesco Technologies' Codes of Conduct for employees and business partners and in the company's Human Rights Policy. At the same time, for Vitesco Technologies RBA membership means expanding and adapting its existing risk and control management for suppliers, and establishing comprehensive training measures. A particular focus here is on the topic of human rights due diligence.

Organizational responsibility for Responsible Sourcing and Partnerships lies with Vitesco Technologies' Purchasing function, which is structured in accordance with lines of business and product groups, with teams in the various countries. On matters related to ethical issues and standards, it collaborates closely with the Compliance and Sustainability, Security, Safety & Health departments as well as with the HR&S and Quality & Environmental Protection functions. The Head of the Group Purchasing reports directly to the Chairman of the Executive Board.

With regard to production materials, Vitesco Technologies procures a wide range of intermediate products and feedstocks/raw materials from a global supplier base. The company mainly uses steel, aluminum, precious metals, copper, and plastics. In the supply chain for “conflict minerals,” as defined under the U.S. Dodd-Frank Act, and for cobalt, the company uses the Conflict Minerals Reporting Template (CMRT) and the Extended Minerals Reporting Template (EMRT) provided by the Responsible Minerals Initiative (RMI) to create transparency and monitor human rights standards. The queries provide information on the country of origin of minerals, smelters and refiners used, and their certification status against recognized social and environmental criteria. Vitesco Technologies conducts the queries with its suppliers once a year.

Results

The share of strategic suppliers that are covered by Vitesco Technologies’ Code of Conduct for Business Partners – the KPI for the “Responsible Purchasing and Partnerships” area – was 90% in fiscal 2021. This indicator was newly introduced in fiscal 2021 and indicates the share of strategic suppliers who contractually commit to complying with the Vitesco Technologies Code of Conduct for Business Partners. Suppliers can make this contractual commitment by signing the Code of Conduct as part of the supplier contract, or by providing evidence of a valid equivalent on the supplier side. Strategic suppliers account for a 75% of the total volume of production material purchased.

With Vitesco Technologies’ accession to the Responsible Business Alliance (RBA) in fiscal 2021, the mandatory self-disclosures for strategic suppliers, previously submitted via the industry platform NQC, were replaced by corresponding RBA self-disclosures, risk assessments, and audits. Due to this change, the reporting of a key indicator for the existing, valid supplier self-disclosures – the second KPI for Responsible Sourcing and Partnerships – will not be reported until fiscal 2022.

KPI Responsible Sourcing and Partnerships	**2021**
Share of strategic suppliers[1] covered by Business Partner Code of Conduct (as of Dec. 31) in %[2]	90.0

1) Basis: Strategic Supplier List (SSL); suppliers must meet various requirements to be listed as a strategic supplier.
2) This indicator was newly introduced in fiscal 2021.

Quantitative information on the results of Conflict Minerals Reporting to Vitesco Technologies as well as further information related to Responsible Sourcing and Partnerships is bundled in the Sustainability section of the separate Sustainability Report online (ir.vitesco-technologies.com).

Occupational Healty and Safety

Objective

Occupational Health and Safety are essential components of the Vitesco Technologies corporate culture. With this comes the aspiration to prevent harm to people, or damage to assets and the environment, as well as to actively promote the health of everyone in the company. Two specific goals have been defined to this end:

> Increase and maintain the percentage of employees covered by management system certifications for health and occupational safety to above 90% by 2030.
> Reduce the accident rate, defined as the number of accidents per million hours worked, to 1.4 by 2025.

The accident rate is also integrated as a key performance indicator in the LTI for managers and in the targets for sites, so Vitesco Technologies sets strategic incentives to achieve its reduction target.

Concept

The implementation of occupational health and safety is ensured worldwide by a global management system (ISO 45001 or comparable). This is managed by the certified Sustainability, Security, Safety & Health (SSH) department under the responsibility of the Chief Human Resources Officer and validated by matrix certification and local individual certifications. In this way, Vitesco Technologies strives to improve protection against accidents and work-related illnesses and contributes to reducing hazards and minimizing risks through preventive measures. These measures include, in particular, risk assessments, external controls (audits), remedial actions, and training. The management system also includes procedures and preventive measures for handling hazardous substances.

The company's ESH policy, whose technical and organizational requirements in the field of occupational health and safety are set out in the Safety and Health (SH) manual, forms the Group-wide guideline in this area. In addition to an ESH Hotline for reporting incidents, a globally established emergency and crisis management system provides support for employees and those affected in the event of an incident.

Strategic responsibility for occupational safety and health, like the responsibility for the global management system, lies with the Sustainability, Security, Safety & Health department. ESH functions in the countries complement the central structure. Local ESH managers under the responsibility of the location managements, as well as occupational safety and health committees, coordinate and supervise occupational health and safety and health protection on site.

Through its company Health Management, the company also promotes a physically, mentally, and socially healthy working environment. Strategic decisions and the planning of instruments and measures at Group, country and business unit level are prepared and coordinated centrally by the Sustainability, Security, Safety & Health corporate function. Implementation and monitoring tasks are the responsibility of local health managers and committees. A regular assessment of the risk situation in the field of mental health is also integrated into the occupational health and safety management system. In addition, in accordance with local legal requirements for occupational health and safety, company medical services are available at many sites and may also be represented on the local occupational health and safety committees.

Results

A key performance indicator for occupational health and safety is the employee coverage rate with regard to certifications for occupational health and safety management systems (ISO 45001). In fiscal 2021, 91.2% of employees were covered by such certifications.

The second key performance indicator, the accident rate in the company, was 1.9 accidents per million hours worked in 2021.

KPIs Occupational Health and Safety	**2021**
Certifications for occupational health and safety management systems (ISO 45001) Employee coverage (as of Dec. 31) in %	91.2
Accident rate (number of accidents per million hours worked) [1,2]	1.9

1) Definition: Number of accidents during working hours per million paid working hours. Counted from more than one day lost, i.e. with at least one day lost beyond the day of the accident.
2) Excluding temporary workers, apprentices and trainees, excluding commuting accidents.

During fiscal 2021, the focus in Health Management was on establishing the described health organization and communicating it internally, and on creating a strategic roadmap, which included the publication of a global mental health support guideline as well as the aforementioned integration of mental health risk assessments as a focus topic of audits in the global management system.

In the course of the spin-off from Continental AG, Vitesco Technologies also established its own crisis organization in 2021 to further manage the COVID-19 pandemic. Preparedness plans for infectious disease outbreaks thus continued to contribute to safe production under pandemic conditions. Furthermore, regional crisis teams were established at the country level. In terms of prevention, Vitesco Technologies provided free masks and self-tests for employees, as well as voluntary vaccinations by company physicians.

Further information and key indicators in the area of Occupational Health and Safety are bundled in the Sustainability section of the separate Sustainability Report online (ir.vitesco-technologies.com).

Quality and Product Integrity

Objective

Quality and product integrity are essentials of Vitesco Technologies' corporate responsibility. One priority in this area is to offer robust and safe products and services worldwide, avoiding defects and also promoting waste reduction in line with the sustainability concept. The aim is to prevent risks such as product recalls, product liability, and legal proceedings resulting from quality defects, and in particular to continuously improve customer satisfaction as an active contribution to the company's business success.

As part of its Sustainability Agenda, Vitesco Technologies is pursuing the following key objective in the area of quality and product integrity:

> Maintain the percentage of employees covered by quality management system certifications at a minimum of 94%.

Concept

Achieving this goal requires having steadily improving, lean, and agile processes, which at Vitesco Technologies are set up, implemented, and monitored by an externally validated quality management system. Vitesco Technologies' quality policy forms the central guideline for this.

Local management systems on site support the implementation of the Group's quality and product integrity objectives. The specific organizational and technical requirements for local management systems are set out in the respective quality management manuals.

Responsibility for strategic, Group-wide quality management lies with the global Quality Leadership Team (QLT), chaired by the Head of Group Function Quality and Environment, as well as with quality functions at various levels in the Group, which work together in a worldwide network.

Results

The KPI for implementing our Quality and Product Integrity concept is the Group-wide coverage of employees by certified local quality management systems. As of December 31, 2021, certified quality management systems were in place for 99%, i.e. almost all employees throughout the Group.

KPI Quality and Product Integrity	2021
Certifications for quality management systems (ISO 9001 or comparable) Degree of employee coverage (as of Dec. 31) in %	99

Further information relating to Quality and Product Integrity is also included in the Sustainability section of the separate Sustainability Report online (ir.vitesco-technologies.com).

Information on the development of other material topics in sustainability reporting

A description of the objectives, concepts and results for the other topics identified as material for sustainability reporting – Innovation, Business Ethics and Anti-Corruption – can be found in this Annual Report in the chapters and sections outside the Non-Financial Group Statement shown below, as well as grouped together in the separate Sustainability Report. Beyond this, Vitesco Technologies sees itself as an active member of society, but the reportable social issues are currently limited to the topics that are relevant for employees, which are discussed in more detail in the chapter Fair Work and Diversity. Beyond that, no other material social issues within the meaning of section 289c (4) of the German Commercial Code (HGB) have been identified.

- In the Innovation topic area, Vitesco Technologies continuously invests in research and development, driving improvements, innovative progress, and new business models. Electrification and operational strength are the success factors here, while efficiency and sustainability guide the activities. More information on the topic of innovation is presented in the Research and Development chapter of the Management Report as well as in the separate Sustainability Report.
- Ethics, integrity, and fair business practices are the foundation of Vitesco Technologies' corporate governance. The company's global compliance organization ensures compliance with the law and internal policies, identifies risks, and prevents violations. This includes measures to combat corruption and bribery in accordance with industry-leading standards and to comply with antitrust regulations. The related concepts and objectives can be found in the Responsible Sourcing and Partnerships section. Detailed information on the topic of business ethics and anti-corruption can be found in the Corporate Governance chapter and bundled in the separate Sustainability Report.
- Vitesco Technologies' separate Sustainability Report is published online in the Sustainability section of the company website (ir.vitesco-technologies.com).

EU TAXONOMY REGULATION DISCLOSURES[1]

In accordance with Article 8 of the Taxonomy Regulation, Vitesco Technologies is required to disclose how and to what extent its own business activities are connected to economic activities that can be classified as environmentally sustainable economic activities according to Article 3 and Article 9 of the Taxonomy Regulation.

According to the stipulations of the Taxonomy Regulation, companies must analyze their business activities with regard to the environmental goals of climate change mitigation, adaptation to climate change, sustainable use and protection of water

1) The following paragraph on reporting on the EU taxonomy has, in deviation from the other chapters of the non-financial statement, been subjected to a limited assurance review by our auditors, KPMG Wirtschaftsprüfungsgesellschaft.

and marine resources, transition to circularity, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

In accordance with Art. 8 of the Taxonomy Regulation and Art. 10 of the Delegated Act (EU) 2021/ C(2021) 4987 final of July 06, 2021 on the disclosure requirements associated with the Taxonomy Regulation, reporting companies must disclose the share of their economic activities that are taxonomy-eligible and taxonomy-non-eligible in the company's total turnover as well as in the company's capital and operating expenditures for the two environmental goals of climate mitigation and climate adaptation for FY 2021.

Opportunities and Challenges

In accordance with the publication of the European Securities and Markets Authority (ESMA) dated October 29, 2021, we would like to point out that the Taxonomy Regulation is of dynamic nature and the following information is provided in accordance with the current state of interpretation.

The products and technologies for electric powertrains as well as electrification solutions for hybrid vehicles developed and manufactured by Vitesco Technologies contribute significantly to expanding clean or climate-neutral mobility according to Art. 10 (1) c of the Taxonomy Regulation. According to the current state of interpretation of the activities defined by the Taxonomy Regulation, it is unclear to what extent companies in the automotive supply industry, even if they, like Vitesco Technologies, play a significant role in the upcoming transformation processes of the transport and mobility sector, may report under the taxonomy. We assume that the regulator will create clarity here and that Vitesco Technologies could then report the revenues shown in the Clean Mobility section in full, under the Taxonomy Regulation.

Project approach for determining the reporting information

In order to identify Vitesco Technologies' taxonomy-eligible economic activities, as well as the associated revenues, capital expenditures and operating expenses, a project was set up during fiscal 2021. Under the leadership of the Sustainability, Security, Safety & Health department, Vitesco Technologies' corporate activities were compared with the activities defined in the taxonomy regulation..

Taxonomy-eligible activities for Vitesco Technologies were determined using the accounting policies described below:

> A taxonomy-eligible economic activity is defined in Delegated Act (EU) 2021/ C(2021) 4987 Art. 1, paras. 5 and 6, as an economic activity "that is described in the delegated acts adopted in accordance with (...) the Taxonomy Regulation, regardless of whether that economic activity meets any or all of the Technical Screening Criteria set out in those delegated acts". Accordingly, a non-taxonomy-eligible economic activity means "any economic activity that is not described in the delegated acts adopted in accordance with (...) Regulation (EU) 2020/852"

In accordance with Annex I of Delegated Act C (2021) 2800 final (Climate Change), the following economic activities of Vitesco Technologies were identified as taxonomy-eligible):

> Category 3.4: Manufacture of batteries

Annex I of the delegated act defines this taxonomy-eligible economic activity as the "manufacture of rechargeable batteries, battery packs and accumulators for transport, stationary and off-grid energy storage and other industrial applications" and the "manufacture of the related components (active battery materials, battery cells, casings, and electronic components)". The manufacture of components for batteries and battery management systems can be clearly assigned to this activity.

Beyond the aforementioned product-related economic activities, Vitesco Technologies performs other taxonomy-eligible activities that are not directly related to its product portfolio. These include:

> A Activity 6.5 Transport by passenger and commercial vehicles
> Activity 7.5 Installation, maintenance, and repair of equipment for measuring, regulating, and controlling the energy performance of buildings
> Activity 7.6 Installation, maintenance, and repair of renewable energy technologies
> Activity 7.7 Acquisition and ownership of buildings

The turnover associated with the identified taxonomy-eligible, product-related economic activities (eligible turnover) was calculated based on a revenue classification by product category that is used in the existing financial accounting systems. The share of all taxonomy-eligible economic activities in total turnover thus amounted to 0.2% in fiscal 2021. The total turnover used in the calculation corresponds to the net revenues reported in the annual report according to IFRS.

Share of taxonomy-eligible and non-taxonomy-eligible economic activities in total turnover (eligible turnover)	Turnover in € millions	Turnover in %
Turnover from taxonomy-eligible economic activities	16.6	0.2
Turnover from non-taxonomy economic activities	8,331.9	99.8
Total	**8,348.5**	**100.0**

Capital expenditures related to assets or processes associated with taxonomy-eligible economic activities (eligible CapEx) were identified by breaking down Vitesco Technologies' total capital expenditures by cost type. Of the production-related capital expenditures, only those related to the products of the economic activity identified as taxonomy-eligible above, 3.4 Manufacturing of Batteries, were considered. In this context, investments in integrated production facilities that could not be clearly attributed to the business activities included under activity 3.4, were distributed according to a key. The revenue of the production site in question was used to determine the distribution key. In the case of integrated production sites, the percentage of taxonomy-eligible investments thus corresponds to the percentage of taxonomy-eligible turnover.

Among the supplementary investments, a differentiation was made along asset classes. Included, for example, were capital expenditures for the company's own vehicle fleet and the acquisition of buildings.

The share of taxonomy-eligible CapEx in total CapEx was therefore 25.9% in fiscal 2021. The total capital expenditure used as a basis correspond to the gross additions to intangible and tangible assets, as well as the right-of-use assets recognized in accordance with IFRS 16.

Share of capital expenditures related to taxonomy-eligible and non-taxonomy-eligible economic activities (eligible CapEx).	CapEx in € million	CapEx in %
CapEx related to taxonomy-eligible economic activities	163.6	25.9
of which in property, plant, and equipment	11.9	1.9
of which in rights of use according to IFRS 16	151.7	24.0
CapEx related to non-taxonomy-eligible economic activities	466.9	74.1
Total	**630.5**	**100.0**

Operating expenses relating to assets or processes associated with taxonomy-eligible economic activities (eligible OpEx) were determined for activity 3.4 Manufacture of batteries, which was identified as taxonomy-eligible, using the allocation key also described for capital expenditures. The operating expenses for the identified, non-product-related, activities were directly allocable. In accordance with the definition in the Taxonomy Regulation, the following cost types were used as a basis:

> Research and development costs
> Maintenance and repair costs
> Short-term leases

The share of taxonomy-eligible operating expenses in total operating expenses as defined in the Taxonomy Regulation amounted to 9.2% in fiscal 2021. The taxonomy-eligible shares of operating expenses can be seen in the “of which” rows below.

Share of operating expenses related to taxonomy-eligible and non-taxonomy-eligible economic activities (eligible OpEx)	**OpEx in € million**	**OpEx in %**
Operating expenses related to taxonomy-eligible economic activities	69.8	9.2
of which operating expenses for research and development	48.7	6.4
of which operating expenses for maintenance and repair	21.1	2.8
OpEx related to non-taxonomy-eligible economic activities	692.6	90.8
Total	**762.4**	**100.0**

INDEPENDENT AUDITOR'S REPORT

To the Supervisory Board of Vitesco Technologies Group Aktiengesellschaft, Regensburg

We have performed a reasonable assurance engagement on the consolidated non-financial statement for Vitesco Technologies Group Aktiengesellschaft (further "Vitesco" or the "Company") and the Vitesco Group in accordance with Section 315c of the German Commercial Code (HGB) in conjunction with Sections 289c to 289e HGB which is included in chapter "Sustainability and Consolidated Non-Financial statement" of the consolidated management report, except for the section "EU Taxonomy Regulation Disclosure", as well as the sections "Group Strategy", "Research and Development" and "Risk and Opportunity Report" of the consolidated management report (which are qualified as a part by reference, (further "consolidated non-financial statement") for the period from January 1 to December 31, 2021.

On the statements in the section "EU Taxonomy Regulation Disclosure" of the consolidated non-financial statement by Vitesco we have performed a limited assurance engagement.

Management's Responsibility

The legal representatives of the Company are responsible for the preparation of the consolidated non-financial statement for the period from January 1 to December 31, 2021, in accordance with Section 315c HGB in conjunction with Sections 289c to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020, on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further "EU Taxonomy Regulation") and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in section "EU Taxonomy Regulation Disclosure" of the non-financial statement.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the consolidated non-financial statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the consolidated non-financial statement that is free of – intended or unintended – material misstatement.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in section "EU Taxonomy Regulation Disclosure" of the non-financial statement. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in

Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility

It is our responsibility to express a conclusion on the consolidated non-financial statement, except the section "EU Taxonomy Regulation Disclosure" based on our work performed within a reasonable assurance engagement, and a conclusion on the section "EU Taxonomy Regulation Disclosure" based on our work performed within a limited assurance engagement.

We conducted our work on the consolidated non-financial statement, except the section

"EU Taxonomy Regulation Disclosure", in the form of a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to comply with our professional duties and to plan and perform the assurance engagement in such a way that we, respecting the principle of materiality, reach our conclusion with a reasonable level of assurance. The audit of the consolidated non-financial statement encompasses the performance of audit procedures to obtain evidence for the information included in the consolidated non-financial statement. The choice of audit procedures is subject to the auditor's own judgment.

The work on the section "EU Taxonomy Regulation Disclosure" requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Report of the entity for the period from January 1 to December 31, 2021, has not been prepared, in all material respects, with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in section "EU Taxonomy Regulation Disclosure" of the non-financial statement. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement, the assurance procedures are less extensive than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement we performed, amongst others, the following audit procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for Vitesco
- A risk analysis, including media research, to identify relevant information on Vitesco's sustainability performance in the reporting period
- Reviewing the suitability of internally developed definitions
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and anti-corruption and bribery matters
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Performing control-based audit procedures to assess the design and effectiveness of internal controls used to collect and process non-financial disclosures and data, including the consolidation of the data at group level
- Substantive assurance procedures using, in particular, internal and external documentation in order to determine in detail whether the disclosures correspond to relevant underlying sources
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites

- Evaluation of local data collection, validation and reporting processes as well as of the reliability of reported data by means of sampling at Brasov in Romania and Frenstat in Czech Republic
- Assessment of the overall presentation of the disclosures
- Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the non-financial statement

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Conclusion

In our opinion the consolidated non-financial statement of Vitesco Technologies Group Aktiengesellschaft for the period from January 1 to December 31, 2021 is prepared, in all material respects, in accordance with Section 315c HGB in conjunction with Sections 289c to 289e HGB. This conclusion does not apply to the section “EU Taxonomy Regulation Disclosure” in the consolidated non-financial statement, which has been subject to a limited assurance.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the section “EU Taxonomy Regulation Disclosure” in the consolidated non-financial statement of Vitesco Technologies Group Aktiengesellschaft for the business year from January 1 to December 31, 2021, is not prepared, in all material respects, with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in section “EU Taxonomy Regulation Disclosure” of the non-financial statement.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of Vitesco Technologies Aktiengesellschaft, Regensburg, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Vitesco Technologies Group Aktiengesellschaft, Regensburg, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungs-gesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein, including the limitation of our liability as stipulated in No. 9, and accepts the validity of the General Engagement Terms with respect to us.

Munich, March 10, 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Huber-Straßer p.p. Mathias
German Public Auditor

ECONOMIC REPORT

GENERAL CONDITIONS

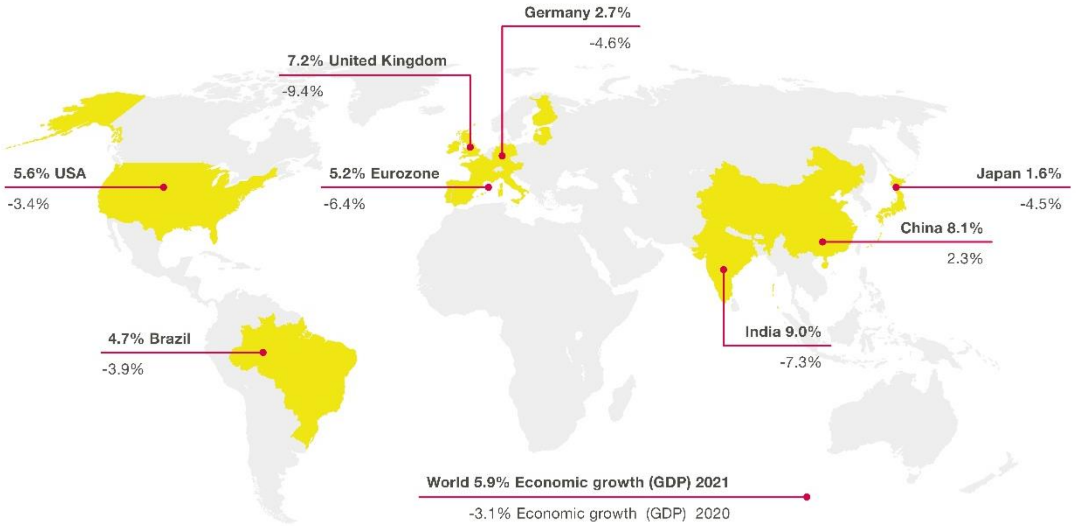
MACROECONOMIC DEVELOPMENT

Despite the COVID-19 pandemic, the containment measures taken by governments across the world, and the associated shortages of production materials such as chips, the global economy grew year on year by 5.9% in the 2021 fiscal year, according to the January 2022 World Economic Outlook Update (WEO Update) published by the International Monetary Fund (IMF). This slightly exceeded the original forecast of 5.5% growth issued by the IMF in January 2021.

ECONOMIC GROWTH IN 2021 VERSUS 2020 (FOR SELECTED COUNTRIES AND THE WORLD)

Source: IWF – World Economic Outlook, Update, January 2022.

According to the IMF, gross domestic product (GDP) in the eurozone grew by 5.2% in 2021. Of the major eurozone economies, Italy and France in particular reported particularly steep GDP growth of 6.2% and 6.7% respectively year on



year. GDP growth in Germany was more moderate at 2.7% on 2020. Countries outside the eurozone also recorded an increase in economic output in 2021. For the UK and Russia, the IMF estimated GDP growth of 7.2% and 4.5% respectively. In North America, the US was able to record a GDP increase of 5.6% in 2021 according to the IMF's data. Canada's and Mexico's economic output also improved considerably by 4.7% and 5.3% respectively according to the IMF.

Other countries in the Americas successfully achieved economic growth again in 2021 after pandemic-related shrinkage in 2020. For Brazil, for example, the IMF reported an increase in GDP of 4.7%.

Asian countries also recorded consistently positive growth rates for their economies during the reporting period according to the IMF. GDP for the Association of Southeast Asian Nations (ASEAN), for example, increased by 3.1% in 2021. The IMF calculated a year-on-year GDP increase of 1.6% for Japan and its data also shows India’s economy as having grown by 9.0%. The IMF’s data also shows that China achieved GDP growth of 8.1% in 2021.

DEVELOPMENT OF KEY CUSTOMER SECTORS AND SALES REGIONS

The most important market segment for Vitesco Technologies is the supply of goods to car and commercial-vehicle manufacturers worldwide. Their share of the Company’s total sales was 95.0% in fiscal 2021. The share of sales not attributable to OEM vehicle manufacturers was therefore 5.0% in the 2021 fiscal year. This share includes spare-parts business involving carmakers and independent retailers as well as business involving two-wheeled vehicles.

Vitesco Technologies’ biggest sales region in fiscal 2021 was still Europe, which accounted for 45.1% of sales in the reporting period, followed by Asia at 30.2% and North America at 23.5%.

Development of new passenger-car registrations

Following a 2020 in which the COVID-19 pandemic and containment efforts at a national level led to a significant drop in the number of new passenger cars registered, the global chip shortage in particular put a dampener on the markets’ recovery in 2021. There was partly significant growth in new registrations in the first half of 2021 due to the lockdown-related low numbers in the year prior and due to the effects of recovery, however the second half of the year was considerably more negative due to stressed supply chains. This led to new-vehicle registrations varying widely between different regions in 2021.

The situation in Japan was tense and saw registrations of new passenger vehicles dropping by roughly 4% according to preliminary data from the German Association of the Automotive Industry (VDA). The situation in the European passenger-vehicle market was mixed, with sales volumes falling by 2.0% in 2021 according to the VDA’s preliminary data. Germany’s new-vehicle registrations were particularly affected, falling by approximately 10% year on year. The Italian market, on the other hand, grew by just under 6% according to the VDA, while France, Spain, and the UK also grew slightly by 1.0% each.

In the Chinese market, the VDA is assuming a 7.0% increase in new passenger-vehicle registrations based on its preliminary data for 2021. Many other countries also saw significant recovery in their demand for passenger vehicles. Brazil (1.0%), the US (3.0%), and Russia (4.0%), for example, displayed increases during the reporting period, according to the VDA. The Indian passenger-vehicle market even grew by 27.0% year on year.

Developments in the production of passenger cars and light commercial vehicles

Based on preliminary figures, the stressed supply chains globally and the chip shortage resulted in a slow recovery of the world’s production of passenger cars and light commercial vehicles weighing fewer than six metric tons. In 2021, production rose by just over 3% year on year to 77.1 million units.

There were significant regional differences in this trend. In China, given the extensive factory closures there that lasted into the first quarter of 2020 in particular, there was an overall recovery of production in the 2021 fiscal year. While the effects of the global chip shortage could be felt in China's vehicle manufacturing, the country was still able to record about 6% growth in its vehicle production in 2021 as a whole.

In Europe and North America, Vitesco Technologies' two other key markets besides China, the effects of the global chip shortage also weighed heavily on the recovery of vehicle production. In the third quarter of 2021 in particular, some manufacturers closed their plants due to the shortage and production was ceased for a brief period of time, so relatively few vehicles were manufactured. In North America, this led production volumes to stagnate at about the same level as 2020, whereas Europe even saw a decline of just under 5% in vehicle production for 2021 as a whole.

According to preliminary figures, some other countries outside Vitesco Technologies' defined key regions were able to record very strong growth rates and therefore contributed to the world's overall growth in vehicle production. These countries included India (25%), Brazil (9%), Thailand (18%), and Indonesia (53%).

CHANGE IN VEHICLE PRODUCTION IN 2021 (VERSUS 2020)

Percentage change on 2020	Europe	North America	China	Worldwide
Vehicle production	–5	–	6	3

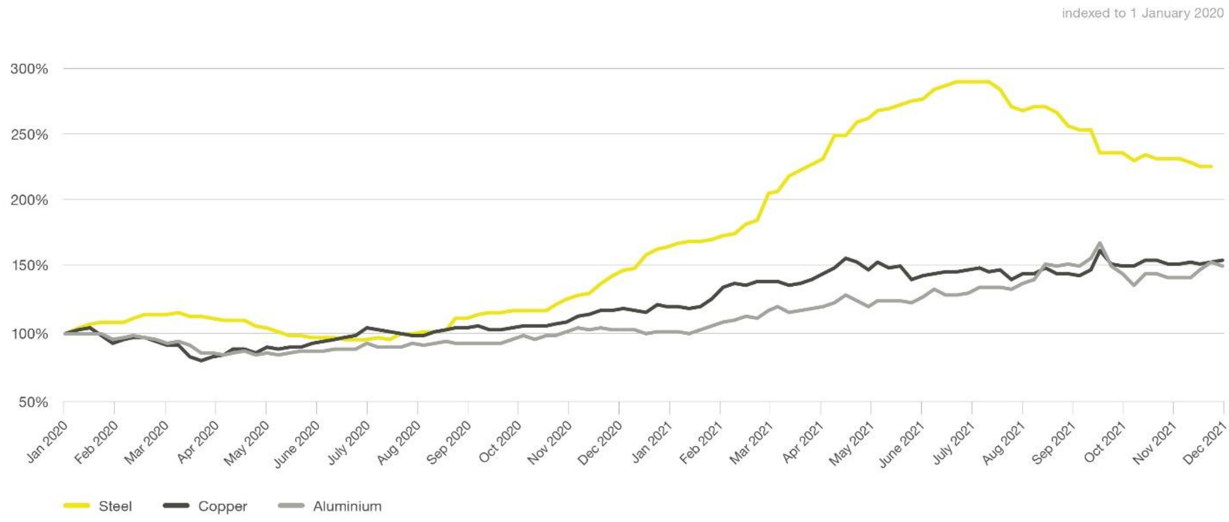
Sources:
Vehicle production: IHS Markit, Light Vehicle Production Forecast, February 2022.
Preliminary figures and internal estimates.

DEVELOPMENT OF RAW-MATERIAL MARKETS

The demand for raw materials increased year on year, and combined with the global constraints on supply chains, this led to raw-material prices rising significantly during the reporting period. This trend was further driven by expectations of continuously increasing production due to the progress in delivering COVID-19 vaccinations and associated hopes of the COVID-19 pandemic ending.

The most important raw materials for Vitesco Technologies are steel, aluminum, and copper. Carbon steel and stainless steel are input materials for many of the mechanical components such as stamped, turned, drawn, and die-cast parts integrated by Vitesco Technologies into its products. Aluminum is used in particular for die-cast parts and stamped and bent components, while copper is mainly used in electric motors and mechatronic components. The average euro-based prices for carbon steel more than doubled in 2021 compared to the annual average for 2020. Carbon-steel prices peaked in summer 2021 at almost triple what they started at when 2020 began. Copper prices in 2021, based on US dollars, also averaged at a level more than 45% higher than the average rate during 2020. Aluminum, denominated in US dollars, was just under 40% more expensive on average compared its annual mean in 2020.

Development of Steel, Copper, and Aluminum Prices



Sources:
Carbon steel: hot-rolled coil in 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).

Precious metals such as gold, silver, platinum, and palladium are used by Vitesco Technologies and its suppliers to coat components. The prices for most precious metals also increased further in 2021, though only moderately compared to the price rises for steel, copper, and aluminum. The average annual prices for silver and platinum increased by 19.0% each, while the average annual price for palladium rose by almost 5% in 2021. The price of gold, on the other hand, remained relatively stable and its annual mean declined by approximately 2% during the reporting period.

EARNINGS, FINANCIAL, AND NET ASSETS POSITION

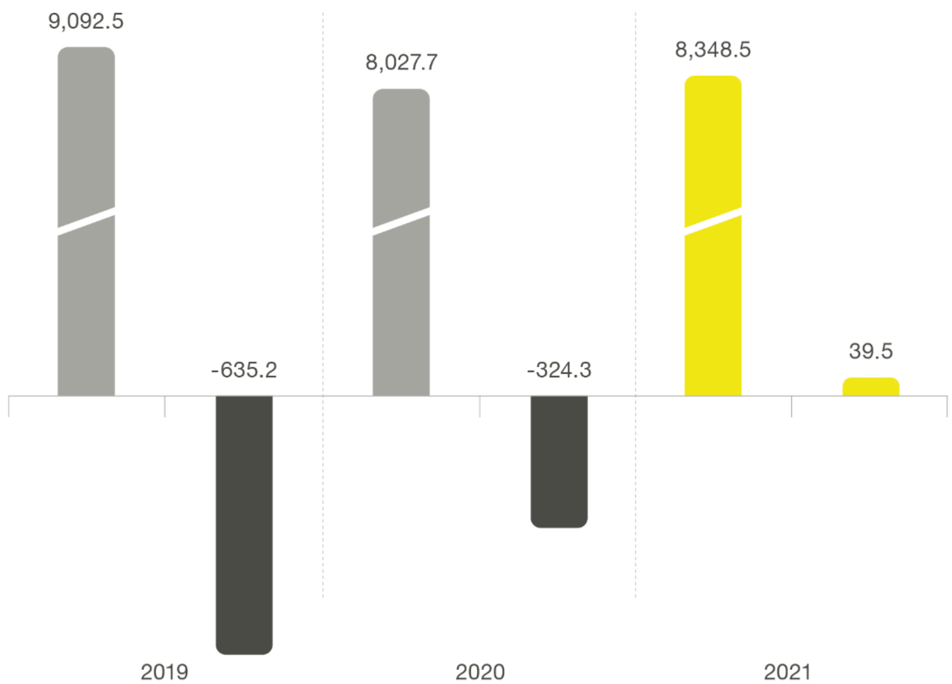
〉Sales up by 4.0% to €8.3 billion
〉Organic sales up by 4.1%
〉Basic earnings per share at –€3.05

The Vitesco Technologies Group finished the 2021 fiscal year successfully by continuing its transformation into a supplier of electrified drive systems. The earnings of the Vitesco Technologies Group developed positively during the past fiscal year. Its sales increased year on year to €8.3 billion (previous year: €8.0 billion), an increase of 4.0%. Organic sales were slightly above this level, increasing by 4.1%.

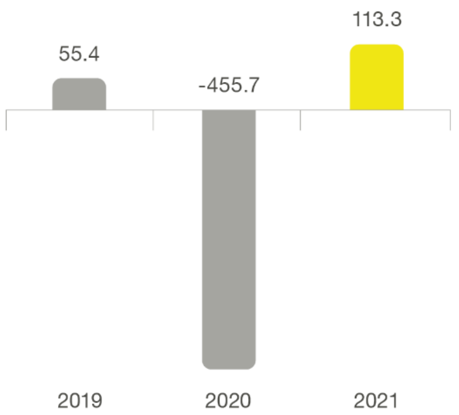
Adjusted EBIT was up €243.1 million at €148.6 million (previous year: –€94.5 million), reaching an EBIT margin of 1.8% (previous year: –1.2%).

Free cash flow improved by €569.0 million to €113.3 million (previous year: –€455.7 million).

Sales/EBIT (€ million)



Free cash flow (€ million)



EARNINGS

〉Sales up by 4.0%
〉Sales up by 4.1% when adjusted for changes in the scope of consolidation and exchange-rate effects
〉Adjusted net operating income up at 1.8% of adjusted sales

Vitesco Technologies Group in € million	**2021**	2020	Δ as a %
Sales	8,348.5	8,027.7	4.0
EBITDA	523.9	252.9	107.2
As % of sales	6.3	3.2	
EBIT	39.5	–324.3	112.2
As % of sales	0.5	–4.0	
Research and development costs (net)	692.7	681.0	1.7
As % of sales	8.3	8.5	
Depreciation, amortization, and impairment[1]	484.4	577.2	–16.1
Of which impairment[2]	–28.4	76.7	137.0
Operating assets (as at Dec. 31)	2,567.6	2,635.5	–2.6
Operating assets (average)	2,448.7	2,808.1	–12.8
ROCE as a %	1.6	–11.5	
Capital expenditure[3]	599.5	480.0	24.9
As % of sales	7.2	6.0	
Number of employees (as at Dec. 31)[4]	37,488	40,490	–7.4
Adjusted sales[5]	8,348.5	8,016.6	4.1
Adjusted EBIT[6]	148.6	–94.5	257.2
As % of adjusted sales	1.8	–1.2	

1) Excluding impairment of investments.
2) Impairment also includes any required reversal of impairment losses.
3) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
4) Excluding apprentices/trainees.
5) Adjusted for changes in the scope of consolidation.
6) Adjusted for amortization of intangible assets from purchase-price allocation, changes in the scope of consolidation, and special effects.

Sales

Consolidated sales increased by €320.8 million or 4.0% year on year in 2021 to €8,348.5 million (previous year: €8,027.7 million). When adjusted for changes in the scope of consolidation and exchange-rate effects, sales increased by 4.1%. While the Electrification Technology and Sensing & Actuation business units recorded an increase in sales, Electronic Controls was not able to reach the figures it had the year before. Sales in the Contract Manufacturing business unit also fell, in line with expectations.

The regional distribution of sales in 2021 was as follows:

Sales by Region as a %	**2021**	2020
Germany	16.1	17.2
Europe excluding Germany	29.0	25.6
North America	23.5	25.2
Asia	30.2	31.0
Other countries	1.2	1.0

Increase in adjusted EBIT

Adjusted EBIT for the Group rose by €243.1 million or 257.2% year on year to €148.6 million (previous year: –€94.5 million), corresponding to 1.8% (previous year: –1.2%) of adjusted sales.

Increase in EBIT

The Group’s EBIT increased by €363.8 million or 112.2% year on year in 2021 to €39.5 million (previous year: –€324.3 million). The return on sales rose to 0.5% (previous year: –4.0%).

The amortization of intangible assets from purchase-price allocation (PPA) reduced EBIT during the reporting period by €2.7 million (previous year: €9.1 million).

The ROCE was 1.6% (previous year: –11.5%).

Special effects in 2021

Vitesco Technologies incurred expenses totaling €96.2 million (Electrification Technology €5.8 million, Electronic Controls €27.7 million, Sensing & Actuation €23.2 million, and holding company €39.5 million) in connection with the spin-off from Continental AG and the IPO.

Impairment and reversal of impairment losses on property, plant, and equipment produced a net gain of €35.7 million (reversal of €56.8 million at Electrification Technology, impairment of €10.2 million at Electronic Controls, and impairment of €10.9 million at Sensing & Actuation).

Severance payments led to a negative special effect of €7.8 million in total (Electrification Technology €1.1 million, Electronic Controls €4.4 million, and Sensing & Actuation €2.3 million).

The reversal of restructuring provisions that were no longer necessary produced gains of €8.0 million in total (Electrification Technology €0.4 million, Electronic Controls €5.9 million, and Sensing & Actuation €1.7 million). This included impairment and reversal of impairment losses on property, plant, and equipment worth €7.3 million (reversals: Electrification Technology €0.4 million and Sensing & Actuation €0.2 million, impairment: Electronic Controls €7.9 million).

Restructuring-related charges led to expenditure totaling €12.5 million (Electronic Controls €11.8 million and Sensing & Actuation €0.7 million).

In the Contract Manufacturing business unit, parts of Vitesco Technologies Korea, based in Icheon-si, Korea were disposed of. This resulted in income totaling €61.0 million. Furthermore, the Sensing & Actuation business unit received income of €5.4 million from the sale of Vitesco Technologies Faulquemont SAS, based in Faulquemont, France.

Vitesco Technologies incurred expenses of €80.0 million in its holding company due to expenses for obligations associated with defeat devices.

As a consequence of taking over parts of Continental AG's production, there were further negative special effects totaling €20.0 million (Electrification Technology €11.0 million, Electronic Controls €4.1 million, Sensing & Actuation €1.1 million, and the holding company €3.8 million).

The Group incurred total expenditure of €106.4 million from special effects in 2021. Electrification Technology gained income of €39.3 million and Contract Manufacturing €61.0 million, whereas Electronic Controls had negative special effects of €52.3 million, Sensing & Actuation €31.1 million, and the holding company €123.3 million.

Special effects in 2020

As part of the spin-off from Continental AG, Vitesco Technologies incurred expenditure totaling €52.6 million (Electrification Technology €2.8 million, Electronic Controls €27.5 million, and Sensing & Actuation €22.3 million).

Impairment of property, plant, and equipment led to total expenditure of €69.7 million (Electrification Technology €54.0 million, Electronic Controls €3.2 million, Sensing & Actuation €12.2 million, and Contract Manufacturing €0.3 million).

Severance payments produced a negative special effect of €12.1 million in total (Electrification Technology

€1.4 million, Electronic Controls €6.6 million, Sensing & Actuation €3.9 million, and Contract Manufacturing €0.2 million).

Alongside that, restructuring expenses resulted in a negative special effect of €90.3 million (Electronic Controls €60.0 million and Sensing & Actuation €30.3 million) while the reversal of restructuring provisions no longer required in the Electrification Technology business unit led to income of €3.0 million. This included impairment and reversal of impairment losses on property, plant, and equipment worth €7.0 million (reversals: Electrification Technology €2.4 million, impairment: Electronic Controls €5.9 million and Sensing & Actuation €3.5 million).

Additionally, there was restructuring-related expenditure of €10.4 million (Electronic Controls €10.3 million and Sensing & Actuation €0.1 million).

In Sensing & Actuation, parts of Vitesco Technologies India Private Limited, based in Pune, India, were sold to the joint venture PV Clean Mobility Technologies Private Limited, based in Gurugram, India, which led to income of €8.8 million.

The total consolidated expense from special effects in 2020 amounted to €223.3 million. Of this expense, €55.2 million was in Electrification Technology, €107.6 million in Electronic Controls, €60.0 million in Sensing & Actuation, and €0.5 million in Contract Manufacturing.

Procurement

Purchasing had to contend with increasing material prices for chips and raw materials in 2021, especially in the second half of the year. In relation to nonproduction material, income was also negatively impacted by increased energy and logistics costs.

Reconciliation of EBIT and Net Income

€ million	**2021**	2020	Δ as a %
Electrification Technology	–233.7	–400.9	41.7
Electronic Controls	63.8	–26.6	339.8
Sensing & Actuation	236.5	45.8	416.4
Contract Manufacturing	103.7	53.0	95.7
Other/holding company/consolidation	–130.8	4.4	
EBIT	**39.5**	**–324.3**	112.2
Finance income	–5.9	–27.0	78.1
Earnings before income taxes	**33.6**	**–351.3**	109.6
Income tax	–155.6	–11.9	–1,207.6
Net income	**–122.0**	**–363.2**	66.4
Net income attributable to noncontrolling interests	–	–13.5	
Net income attributable to the shareholders of the parent	**–122.0**	**–376.7**	67.6
Basic earnings per share in €	–3.05	n. a.	
Diluted earnings per share in €	–3.05	n. a.	

RECONCILIATION OF SALES AND ADJUSTED SALES AND OF EBITDA AND ADJUSTED EBIT IN 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
Sales	**587.1**	**3,535.9**	**3,217.2**	**1,050.0**	**–41.7**	**8,348.5**
Changes in the scope of consolidation[1]	–	–	–	–	–	–
Adjusted sales	**587.1**	**3,535.9**	**3,217.2**	**1,050.0**	**–41.7**	**8,348.5**
EBITDA	**–266.2**	**339.4**	**422.9**	**158.5**	**–130.7**	**523.9**
Depreciation, amortization, and impairment[2]	32.5	–275.6	–186.4	–54.8	–0.1	–484.4
EBIT	**–233.7**	**63.8**	**236.5**	**103.7**	**–130.8**	**39.5**
Amortization of intangible assets from purchase-price allocation (PPA)	–	1.1	1.6	–	–	2.7
Changes in the scope of consolidation[1]	–	–	–	–	–	–
Special effects						
Impairment of goodwill	–	–	–	–	–	–
Impairment[3]	–56.8	10.2	10.9	–	–	–35.7
Restructuring[4]	–0.4	–5.9	–1.7	–	–	–8.0
Restructuring-related expenses	–	11.8	0.7	–	–	12.5
Severance payments	1.1	4.4	2.3	–	–	7.8
Gains and losses from disposals of companies and business operations	–	–	–5.4	–61.0	–	–66.4
Spin-off costs	5.8	27.7	23.2	–	39.5	96.2
Expenses from obligations associated with defeat devices	–	–	–	–	80.0	80.0
Other[5]	11.0	4.1	1.1	–	3.8	20.0
Adjusted EBIT	**–273.0**	**117.2**	**269.2**	**42.7**	**–7.5**	**148.6**

1) Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions during the reporting period and for disposals in the year-on-year comparison period.
2) Excluding impairment of investments.
3) Impairment also includes any required reversal of impairment losses. This item does not include impairment that arose in connection with restructuring and impairment of investments.
4) This included impairment and reversal of impairment losses on property, plant, and equipment worth €7.3 million (reversals: Electrification Technology €0.4 million and Sensing & Actuation €0.2 million, impairment: Electronic Controls €7.9 million).
5) “Other” includes expenses incurred from the takeover of parts of production at the Continental Group.

RECONCILIATION OF SALES AND ADJUSTED SALES AND OF EBITDA AND ADJUSTED EBIT IN 2020

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
Sales	**405.9**	**3,636.8**	**2,917.2**	**1,099.3**	**–31.5**	**8,027.7**
Changes in the scope of consolidation[1]	–	–	–11.1	–	–	–11.1
Adjusted sales	**405.9**	**3,636.8**	**2,906.1**	**1,099.3**	**–31.5**	**8,016.6**
EBITDA	**–326.8**	**232.0**	**228.2**	**115.1**	**4.4**	**252.9**
Depreciation, amortization, and impairment[2]	–74.1	–258.6	–182.4	–62.1	–	–577.2
EBIT	**–400.9**	**–26.6**	**45.8**	**53.0**	**4.4**	**–324.3**
Amortization of intangible assets from purchase-price allocation (PPA)	–	4.6	4.5	–	–	9.1
Changes in the scope of consolidation[1]	–	–	–2.6	–	–	–2.6
Special effects						
Impairment of goodwill	–	–	–	–	–	–
Impairment[3]	54.0	3.2	12.2	0.3	–	69.7
Restructuring[4]	–3.0	60.0	30.3	–	–	87.3
Restructuring-related expenses	–	10.3	0.1	–	–	10.4
Severance payments	1.4	6.6	3.9	0.2	–	12.1
Gains and losses from disposals of companies and business operations	–	–	–8.8	–	–	–8.8
Spin-off costs	2.8	27.5	22.3	–	–	52.6
Expenses from obligations associated with defeat devices	–	–	–	–	–	–
Other	–	–	–	–	–	–
Adjusted EBIT	**–345.7**	**85.6**	**107.7**	**53.5**	**4.4**	**–94.5**

1) Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions during the reporting period and for disposals in the year-on-year comparison period.
2) Excluding impairment of investments.
3) Impairment also includes any required reversal of impairment losses. This item does not include impairment that arose in connection with restructuring and impairment of investments.
4) This included impairment and reversal of impairment losses on property, plant, and equipment worth €7.0 million (reversals: Electrification Technology €2.4 million, impairment: Electronic Controls €5.9 million and Sensing & Actuation €3.5 million).

Research and development

Research and development costs (net) rose by €11.7 million or 1.7% year on year to €692.7 million (previous year: €681.0 million), corresponding to 8.3% of sales (previous year: 8.5%).

Costs in connection with initial product-development projects in the original-equipment business are capitalized at the Vitesco Technologies Group. Costs are capitalized as at the time at which it is named as a supplier and has successfully achieved a specific prerelease stage. Capitalization ends with the approval for unlimited volume production. The costs of customer-specific applications, preproduction prototypes, and testing for products already being sold do not qualify as development expenditure that may be recognized as an intangible asset. Capitalized development costs 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 Vitesco Technologies, the assumed useful life reflects the period for which a financial benefit is likely to be derived from the corresponding development projects. Of the development costs incurred in 2021 by the Vitesco Technologies Group, €28.5 million (previous year: €35.4 million) qualified for recognition as an asset.

This resulted in a capitalization ratio of 4.1% (previous year: 5.2%).

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment decreased by €92.8 million to €484.4 million (previous year: €577.2 million), equivalent to 5.8% of sales (previous year: 7.2%). The impairment in this figure in fiscal 2021 consisted of reversals of impairment losses worth €28.4 million (previous year: impairment of €76.7 million).

Net finance income

The finance loss in 2021 improved by €21.1 million year on year to –€5.9 million (previous year: –€27.0 million). This is attributable primarily to the sum of the effects from currency translation and from changes in the fair value of derivative instruments, and other valuation effects.

Interest income in 2021 decreased by €4.0 million year on year to €16.6 million (previous year: €20.6 million). Expected income from long-term employee benefits and from pension funds totaled €3.8 million in this period (previous year: €4.8 million). This did not include the interest income from the plan assets of the pension funds.

Interest expenditure in 2021 totaled €28.1 million and was thus €5.6 million lower than the previous year's figure of €33.7 million. The interest expense for long-term employee benefits totaled €12.1 million in this period (previous year: €14.2 million). This did not include the interest expense for prospective entitlements from the pension funds. At €11.8 million, interest expenditure – resulting mainly from bank borrowings, capital-market transactions, and other debt instruments – was lower than the prior year's figure (€15.6 million). Interest expenditure for lease liabilities ran up to €4.1 million (previous year: €3.7 million).

Effects from currency translation during the reporting period resulted in a positive contribution to earnings of €13.7 million (previous year: –€14.8 million). This was countered by effects from changes in the fair value of derivative instruments and other measurement impacts, which resulted in a loss of €8.1 million (previous year: income of €0.9 million). The "other measurement impacts" in this figure produced income of €2.1 million (previous year: €1.5 million).

Income-tax expense

Income taxes in the 2021 fiscal year produced a tax expense of €155.6 million (previous year: tax expense of €11.9 million). The tax rate was 463.2%, after –3.4% in the previous year,

and was negatively impacted by noncash allowances on deferred tax assets totaling –€94.1 million (previous year: –€102.9 million), of which –€40.1 million (previous year: –€3.3 million) was for previous years. Furthermore, as in the previous year, the tax rate was negatively affected by nondeductible expenses and nonimputable foreign withholding taxes. As in the previous year, foreign tax-rate differences, incentives, and tax holidays had positive effects in the reporting period.

Net income attributable to the shareholders of the parent

Net income attributable to the shareholders of the parent in 2021 improved by €254.7 million to –€122.0 million (previous year: –€376.7 million). Basic earnings per share amounted to –€3.05 (previous year: n. a.), the same amount as the diluted earnings per share.

Employees

Compared to 2020, the number of employees at Vitesco Technologies fell by 3,002 to 37,488 (previous year: 40,490).

In the Electrification Technology business unit, the number of employees – mainly those involved in development – increased by 530. On the other hand, lower production volumes and efficiency improvements in all other business units resulted in a reduction of 3,547 employees (Electronic Controls 1,001, Sensing & Actuation 1,415, and Contract Manufacturing 1,131). The number of employees in the holding company increased by 15 year on year.

Employees by Region as a %	**2021**	2020
Germany	26.4	26.0
Europe excluding Germany	27.6	27.2
North America	21.6	22.1
Asia	24.1	24.1
Other countries	0.3	0.6

FINANCIAL

> Free cash flow at €113.3 million
> Cash flows used in investing activities at €305.6 million
> Net debt at –€345.1 million

Reconciliation of cash flow

EBIT rose by €363.8 million year on year to €39.5 million (previous year: –€324.3 million).

Interest payments increased by €17.7 million to €37.1 million (previous year: €19.4 million). The increase is primarily the result of interest payments for ongoing credit commitments for the Group’s treasury management.

Payments for income taxes fell by €19.8 million to €151.2 million (previous year: €171.0 million).

The increase in working capital through profit or loss led to a cash outflow of €7.8 million (previous year: €179.3 million). This resulted from a decrease in operating liabilities of €340.6 million (previous year: increase by €335.1 million) and an increase in inventories of €221.6 million (previous year: decrease of €33.6 million). This decline was offset by a reduction in operating receivables of €554.4 million (previous year: increase of €548.0 million).

The cash inflow from business activities in 2021 increased by €424.8 million year on year to €418.9 million (previous year: cash outflow of €5.9 million) and reached 5.0% of sales (previous year: –0.1%).

The cash outflow for investing activities amounted to €305.6 million (previous year: €449.8 million). Capital expenditure on property, plant, and equipment and software increased by €12.9 million from €428.4 million to €441.3 million. The net amount from the acquisition and disposal of companies and business operations resulted in a total cash inflow of €95.5 million in 2021 (previous year: outflow of €17.3 million). This cash inflow is primarily attributable to the further separation of business relationships as part of the spin-off in Korea.

Free cash flow for fiscal 2021 amounted to €113.3 million (previous year: –€455.7 million). This corresponds to an increase of €569.0 million compared with the previous year.

Capital expenditure (additions)

Capital expenditure on intangible assets in the 2021 fiscal year was €49.5 million (previous year: €38.5 million), on property, plant, and equipment less grants €422.8 million (previous year: €425.2 million), and for right-of-use lease assets €158.2 million (previous year: €51.6 million). The capital-expenditure ratio was 7.2% (previous year: 6.0%).

Financing and debt

As at the end of 2021, gross debt amounted to €268.9 million (previous year: €870.2 million), down €601.3 million on the previous year's level. Bank loans and overdrafts on December 31, 2021 were at €0.0 million (previous year: €30.7 million).

Vitesco Technologies Group AG and Vitesco Technologies GmbH, Regensburg signed a framework credit agreement on March 24, 2021 with two revolving tranches for a total credit amount of €1,000.0 million. It consists of a core credit facility of €750.0 million and an incremental credit facility of €250.0 million. The credit facilities are being used as finance for general corporate purposes and are secured with a package of collateral made up of shares pledges, pledges on bank accounts, and assigned intercompany receivables from Vitesco Technologies GmbH and every material subsidiary. The credit facilities are designed to have an initial term of three years and have options to extend by a maximum of two years. They come with specific covenants, obligations, and termination rights.

Short-term debt at year end 2021 had decreased by €619.1 million to €69.8 million (previous year: €688.9 million). The reason for this was the spin-off of the Vitesco Technologies Group from Continental AG, which involved financing and cash-pooling arrangements being dissolved. Current lease liabilities increased by €6.1 million year on year to €45.4 million (previous year: €39.3 million).

Vitesco Technologies had net debt of –€345.1 million as at December 31, 2021, which was €60.6 million higher than the previous year's figure of –€405.7 million. The negative gearing ratio changed slightly from the previous year and is at 12.8% (previous year: 15.3%).

As at December 31, 2021, the Vitesco Technologies Group had liquidity reserves totaling €1,614.0 million (previous year: €658.4 million), of which €614.0 million (previous year: €255.0 million) consisted of cash and cash equivalents, and committed, unutilized credit lines of €1,000.0 million (previous year: €0.0 million).

Some of the aforementioned cash and cash equivalents at the Vitesco Technologies Group are restricted in connection with pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes payable on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents. As at December 31, 2021, unrestricted cash and cash equivalents totaled €601.0 million (previous year: €236.6 million).

CALCULATION OF NET DEBT

€ million	December 31, 2021	December 31, 2020
Long-term debt	199.1	181.3
Short-term debt	69.8	688.9
Current derivative instruments and interest-bearing investments	–	–1,020.9
Cash and cash equivalents	–614.0	–255.0
Net debt	**–345.1**	**–405.7**

NET ASSETS POSITION

〉Equity at €2,688.3 million
〉Equity ratio at 36.3%
〉Gearing ratio at –12.8%

Total assets

Total assets as at December 31, 2021 had decreased by €653.6 million year on year to €7,408.1 million (previous year: €8,061.7 million). Goodwill, at €803.0 million, was up by €17.8 million compared to the previous year's figure of €785.2 million due to exchange rates. Other intangible assets climbed by €9.0 million to €173.5 million (previous year: €164.5 million). Property, plant, and equipment increased by €86.9 million to €2,544.9 million (previous year: €2,458.0 million). A large portion of capital expenditure is attributable to right-of-use assets for properties and buildings in Germany, France, China, and India that have been added due to the spin-off. They also include capital expenditure on the divestiture of production facilities out of the Continental Group and the expansion of production capacity at sites in China, Hungary, the Czech Republic, and Germany. There were reversals of impairment losses in fiscal 2021 that were recognized at €124.8 million (previous year: €2.4 million). Deferred tax assets were up €3.3 million at €269.3 million (previous year: €266.0 million). Inventories rose by €243.9 million to €805.7 million (previous year: €561.8 million), while trade receivables declined by €464.7 million to €1,518.9 million (previous year: €1,983.6 million). Current derivative instruments and interest-bearing investments decreased by €1,007.5 million to €26.5 million (previous year: €1,034.0 million) due to the spin-off from Continental AG in the third quarter of 2021 and the dissolution of financing and cash pools through the Continental Group. At €614.0 million, cash and cash equivalents were up €359.0 million year on year (previous year: €255.0 million).

Noncurrent assets

Noncurrent assets increased by €146.5 million year on year to €3,879.1 million (previous year: €3,732.6 million). In relation to the individual items on the statement of financial position, this is primarily due to the increase in property, plant, and equipment of €86.9 million to €2,544.9 million (previous year: €2,458.0 million), the increase in goodwill of €17.8 million to €803.0 million (previous year: €785.2 million), the increase in other intangible assets of €9.0 million to €173.5 million (previous year: €164.5 million), and the increase in deferred tax assets of €3.3 million to €269.3 million (previous year: €266.0 million).

Current assets

Current assets increased by €800.1 million to €3,529.0 million (previous year: €4,329.1 million). Inventories in the reporting period increased by €243.9 million to €805.7 million (previous year: €561.8 million). The increase is due to the rise in material prices for semiconductors during the second half of 2021, higher energy and logistics costs, and more warehoused goods. Trade receivables fell by €464.7 million to €1,518.9 million (previous year: €1,983.6 million). Owing to the dissolution of financing and cash-pooling arrangements through the Continental Group in the third quarter of 2021, current derivative instruments and interest-bearing investments decreased by €1,007.5 million. Cash and cash equivalents grew by €359.0 million to €614.0 million (previous year: €255.0 million).

Equity

At €2,688.3 million (previous year: €2,648.6 million), equity is €39.7 million higher than it was in the previous year. It was previously recognized as invested equity attributable to Continental AG on December 31, 2020 due to it being combined equity. Based on the spin-off agreement that took effect on September 15, 2021, Continental AG transferred its interests in the Vitesco Technologies Group to Vitesco Technologies Group AG. The subscribed capital of Vitesco Technologies Group AG was increased from €50,000 to €100.1 million as part of the capital increase in conjunction with the spin-off. As a consequence of the spin-off and progression from the carve-out financial statements, the invested equity attributable to the Continental Group was divided up between the subscribed-capital, capital-reserves, and retained-earnings items.

On June 25, 2021, Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, Regensburg (previously Hanover) acquired the remaining 3.56% minority interests in Vitesco Technologies, Regensburg for a purchase price of €121.0 million. The step acquisition was recognized in equity.

Shareholder’s equity was reduced as a result of the Group’s net income attributable to shareholders of the parent company, which came to –€122.0 million. Accumulated other comprehensive income increased by €282.7 million to –€125.3 million (previous year: –€408.0 million). The gearing ratio changed by 15.3% to 12.8%, while the equity ratio rose to 36.3% (previous year: 32.9%).

Noncurrent liabilities

Noncurrent liabilities, including provisions, increased by €11.5 million to €1,502.4 million (previous year: €1,490.9 million). This development was due to the €17.8 million increase in long-term debt to €199.1 million (previous year: €181.3 million). Due mainly to interest-rate changes, long-term employee benefits shrank by €57.2 million to €866.4 million (previous year: €923.6 million). Noncurrent provisions for other risks and obligations were affected primarily by changes in the restructuring provisions for ongoing structural adjustments and transformation as well as warranties; they fell by €66.8 million to €273.1 million (previous year: €339.9 million).

Current liabilities

Current liabilities, including provisions, declined by €704.8 million to €3,217.4 million (previous year: €3,922.2 million). Short-term debt in particular had a role in this reduction due to it falling by €619.1 million to €69.8 million (previous year: €688.9 million). €617.5 million of this fall is attributable to the mutual dissolution of financing and cash-pooling arrangements through the Continental Group. Trade payables fell by €257.3 million to €1,958.2 million (previous year: €2,215.5 million). This decline was offset by an increase in current provisions for current warranty provisions and other provisions, which amounted to €64.5 million and brought the total to €504.5 million (previous year: €440.0 million).

Operating assets

Operating assets as at December 31, 2021 decreased by €67.9 million year on year to €2,567.6 million (previous year: €2,635.5 million).

Working capital was up €36.5 million at €366.4 million (previous year: €329.9 million). This development was due to the €257.3 million decrease in operating liabilities to €1,958.2 million (previous year: €2,215.5 million) and a €464.7 million decrease in operating receivables to €1,518.9 million (previous year: €1,983.6 million). Inventories were also up by €243.9 million at €805.7 million (previous year: €561.8 million).

Noncurrent operating assets were recognized at €3,577.1 million (previous year: €3,451.6 million), which is €125.5 million higher than in the previous year. Foreign-exchange rates caused goodwill to increase by €17.8 million to €803.0 million (previous year: €785.2 million). Property, plant, and equipment increased by €86.9 million to €2,544.9 million (previous year: €2,458.0 million). Other intangible assets climbed by €9.0 million to €173.5 million (previous year: €164.5 million). Amortization of intangible assets from purchase-price allocation (PPA) in the amount of €2.7 million (previous year: €9.1 million) reduced the value of intangible assets.

Changes in the scope of consolidation did not result in any notable additions to or disposal of operating assets at a Group level.

Exchange-rate effects increased the Vitesco Group’s total operating assets by €139.0 million (previous year: reduction of €104.5 million).

Average operating assets fell by €359.4 million year on year to €2,448.7 million (previous year: €2,808.1 million).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets, € million	**December 31, 2021**	**December 31, 2020**
Goodwill	803.0	785.2
Other intangible assets	173.5	164.5
Property, plant, and equipment	2,544.9	2,458.0
Investments in equity-accounted investees	16.9	15.9
Miscellaneous noncurrent assets	340.8	309.0
Noncurrent assets	**3,879.1**	**3,732.6**
Inventories	805.7	561.8
Trade receivables	1,518.9	1,983.6
Miscellaneous current assets	590.4	1,528.7
Cash and cash equivalents	614.0	255.0
Current assets	**3,529.0**	**4,329.1**
Total assets	**7,408.1**	**8,061.7**

Shareholders' equity and liabilities, € million	December 31, 2021	December 31, 2020
Equity	**2,688.3**	**2,648.6**
Noncurrent liabilities	**1,502.4**	**1,490.9**
Trade payables	1,958.2	2,215.5
Other current liabilities	1,259.2	1,706.7
Current liabilities	**3,217.4**	**3,922.2**
Total assets	**7,408.1**	**8,061.7**
Net debt	**–345.1**	**–405.7**
Gearing ratio as a %	**12.8**	**15.3**

RECONCILIATION OF OPERATING ASSETS IN 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
Total assets	**614.6**	**2,886.9**	**2,173.7**	**412.8**	**1,320.1**	**7,408.1**
Cash and cash equivalents	–	–	–	–	614.0	614.0
Current and noncurrent derivative instruments, interest-bearing investments	–	–	–	–	40.9	40.9
Further financial assets	2.0	38.6	9.3	0.5	–	50.4
Less financial assets	**2.0**	**38.6**	**9.3**	**0.5**	**654.9**	**705.3**
Less other nonoperating assets	**0.3**	**3.7**	**1.8**	**0.6**	**362.4**	**368.8**
Deferred tax assets	–	–	–	–	269.3	269.3
Income-tax receivables	–	–	–	–	29.1	29.1
Less income-tax assets	**–**	**–**	**–**	**–**	**298.4**	**298.4**
Segment assets	**612.3**	**2,844.6**	**2,162.6**	**411.7**	**4.4**	**6,035.6**
Total liabilities and provisions	**456.2**	**1,933.9**	**1,491.4**	**280.5**	**557.9**	**4,719.9**
Short-term and long-term debt	–	–	–	–	268.9	268.9
Payable interest and further financial liabilities	–	–	–	–	–	–
Less financial liabilities	**–**	**–**	**–**	**–**	**268.9**	**268.9**
Deferred tax liabilities	–	–	–	–	57.0	57.0
Income-tax payables	–	–	–	–	83.2	83.2
Less income-tax liabilities	**–**	**–**	**–**	**–**	**140.2**	**140.2**
Less other nonoperating liabilities	**89.1**	**382.5**	**307.5**	**2.8**	**60.9**	**842.8**
Segment liabilities	**367.1**	**1,551.4**	**1,183.9**	**277.7**	**87.9**	**3,468.0**
Operating assets	**245.2**	**1,293.2**	**978.7**	**134.0**	**–83.5**	**2,567.6**

RECONCILIATION OF OPERATING ASSETS IN 2020

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
Total assets	**422.9**	**3,075.2**	**2,116.9**	**534.8**	**1,911.9**	**8,061.7**
Cash and cash equivalents	–	–	–	–	255.0	255.0
Current and noncurrent derivative instruments, interest-bearing investments	–	–	–	–	1,045.2	1,045.2
Further financial assets	0.3	19.5	8.1	0.4	0.9	29.2
Less financial assets	**0.3**	**19.5**	**8.1**	**0.4**	**1,301.1**	**1,329.4**
Less other nonoperating assets	**–0.0**	**1.6**	**1.7**	**0.4**	**291.2**	**294.9**
Deferred tax assets	–	–	–	–	266.0	266.0
Income-tax receivables	–	–	–	–	14.3	14.3
Less income-tax assets	**–**	**–**	**–**	**–**	**280.3**	**280.3**
Segment assets	**422.6**	**3,054.1**	**2,107.1**	**534.0**	**39.3**	**6,157.1**
Total liabilities and provisions	**451.1**	**2,225.1**	**1,412.3**	**258.8**	**1,065.8**	**5,413.1**
Short-term and long-term debt	–	–	–	–	870.2	870.2
Payable interest and further financial liabilities	–	–	–	–	2.2	2.2
Less financial liabilities	**–**	**–**	**–**	**–**	**872.4**	**872.4**
Deferred tax liabilities	–	–	–	–	36.8	36.8
Income-tax payables	–	–	–	–	86.8	86.8
Less income-tax liabilities	**–**	**–**	**–**	**–**	**123.6**	**123.6**
Less other nonoperating liabilities	**96.1**	**416.7**	**337.9**	**3.8**	**41.0**	**895.5**
Segment liabilities	**355.0**	**1,808.4**	**1,074.4**	**255.0**	**28.8**	**3,521.6**
Operating assets	**67.6**	**1,245.7**	**1,032.7**	**279.0**	**10.5**	**2,635.5**

DEVELOPMENTS IN ELECTRIFICATION TECHNOLOGY

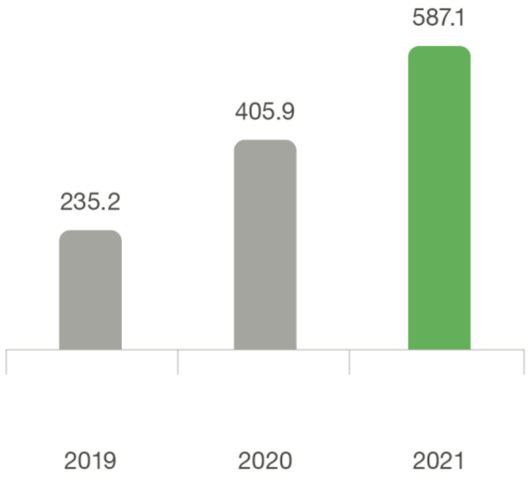
> Sales up by 44.6%
> Sales up by 44.8% when adjusted for changes in the scope of consolidation and exchange-rate effects
> Adjusted EBIT up by 21.0%

Sales volumes

The sales volumes in the Electrification Technology business unit were up on the previous year in 2021. In the High-Voltage Drive, High-Voltage Electronics, and Mild Hybrid Drive product lines, sales increased year on year, while sales in the Battery product line remained at the same level as the year before. The increase in sales volumes in the aforementioned product lines are the result of the increasing penetration of electrification in vehicle drivetrains.

Sales

Sales in the Electrification Technology business unit in 2021 rose by 44.6% year on year to €587.1 million (previous year: €405.9 million). When adjusted for changes in the scope of consolidation and exchange-rate effects, sales increased by 44.8%.



Increase in adjusted EBIT

Adjusted EBIT for the Electrification Technology business unit in 2021 improved by €72.7 million or 21.0% year on year to –€273.0 million (previous year: –€345.7 million), equivalent to –46.5% (previous year: –85.2%) of adjusted sales.

Increase in EBIT

Electrification Technology in 2021 saw its EBIT increase by €167.2 million or 41.7% year on year to –€233.7 million (previous year: –€400.9 million). Its return on sales improved to –39.8% (previous year: –98.8%).

Electrification Technology attracted total income of €39.3 million from special effects in 2021. In the year before, it incurred expenditure of €55.2 million. For further details, please refer to our comments about the special effects in 2021 and 2020 in the Earnings chapter.

The ROCE was –635.1% (previous year: –303.5%).

Procurement

Electrification Technology faced a challenging procurement market in 2021. The continuously rising raw-material prices had a negative effect on the cost structure for the past year and mainly affected rare earths, copper, steel, and chip components.

Research and development

Research and development costs (net) rose by €50.2 million or 26.5% year on year to €239.3 million (previous year: €189.1 million), representing 40.8% of sales (previous year: 46.6%).

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment were €106.6 million lower than in the 2020 fiscal year at –€32.5 million (previous year: €74.1 million), corresponding to –5.5% of sales (previous year: 18.3%). The main element included in this figure is a reversal of €121.7 million calculated based on the annual impairment testing pursuant to IAS 36 Impairment of Assets.

Operating assets

The operating assets in Electrification Technology as at December 31, 2021 increased by €177.6 million year on year to €245.2 million (previous year: €67.6 million).

The negative working capital grew €12.1 million smaller at –€61.8 million (previous year: –€73.9 million). Inventories developed upward by €33.0 million for an amount of €91.2 million (previous year: €58.2 million). Operating receivables fell by €26.4 million to €112.3 million (previous year: €138.7 million). Operating liabilities were down €5.6 million at €265.2 million (previous year: €270.8 million).

Noncurrent operating assets were recognized at €374.9 million (previous year: €208.0 million), which is €166.9 million higher than in the previous year. At €360.6 million, property, plant, and equipment were €156.7 million above the previous year’s level of €203.9 million. Other intangible assets climbed by €1.1 million to €1.7 million (previous year: €0.6 million).

Electrification Technology, € million	**2021**	2020	Δ as a %
Sales	587.1	405.9	44.6
EBITDA	–266.2	–326.8	18.5
As % of sales	–45.3	–80.5	
EBIT	–233.7	–400.9	41.7
As % of sales	–39.8	–98.8	
Research and development costs (net)	239.3	189.1	26.5
As % of sales	40.8	46.6	
Depreciation, amortization, and impairment[1]	–32.5	74.1	–143.9
Of which impairment[2]	–57.2	51.6	–210.9
Operating assets (as at Dec. 31)	245.2	67.6	262.7
Operating assets (average)	36.8	132.1	–72.1
ROCE as a %	–635.1	–303.5	
Capital expenditure[3]	135.6	121.5	11.6
As % of sales	23.1	29.9	
Number of employees (as at Dec. 31)[4]	4,025	3,495	15.2
Adjusted sales[5]	587.1	405.9	44.6
Adjusted EBIT[6]	–273.0	–345.7	21.0
As % of adjusted sales	–46.5	–85.2	

1) Excluding impairment of investments.
2) Impairment also includes necessary reversal of impairment losses.
3) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
4) Excluding apprentices/trainees.
5) Adjusted for changes in the scope of consolidation.
6) Adjusted for amortization of intangible assets from purchase-price allocation, changes in the scope of consolidation, and special effects.

Foreign-exchange effects during the reporting period resulted in an €8.4 million increase (previous year: €2.2 million increase) in the total operating assets of the Electrification Technology business unit.

The average operating assets in Electrification Technology were €95.3 million less than in the 2020 fiscal year at €36.8 million (previous year: €132.1 million).

Capital expenditure (additions)

Additions to the Electrification Technology business unit were higher by €14.1 million year on year at €135.6 million (previous year: €121.5 million).

The capital-expenditure ratio amounted to 23.1% (previous year: 29.9%). In addition to increasing production capacity in Europe, production facilities were also expanded in Asia. The focus for capital expenditure was on expanding production capacity for all product lines. On top of that, the long-term leases (IFRS 16 Leases) for production, development, and office buildings also increased.

Employees

The number of employees in the Electrification Technology business unit increased by 530 to 4,025 (previous year: 3,495). The increased head count is mainly attributable to a growing demand for staff due to to the higher number of projects for customer applications.

DEVELOPMENTS IN THE ELECTRONIC CONTROLS BUSINESS UNIT

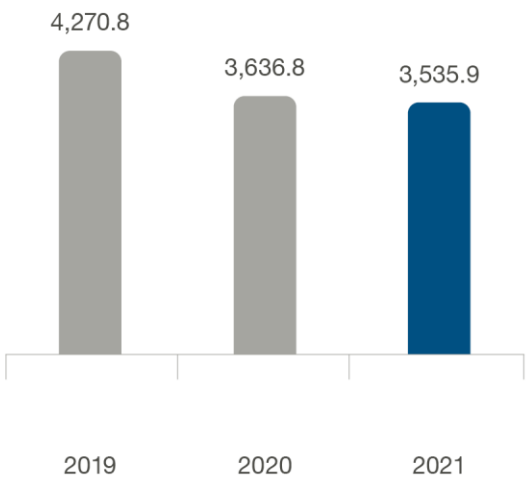
> Sales down by 2.8%
> Sales down by 2.8% when adjusted for changes in the scope of consolidation and exchange-rate effects
> Adjusted EBIT up by 36.9%

Sales volumes

In the Electronic Controls business unit, sales volumes were down on the previous year's levels in the Electronics and Drivetrain product lines due to the global chip shortage. In the Hydraulics and Turbocharger product lines, the sales volumes were at the same level as in the year before. The Nonautomotive product line was able to grow significantly in a tough market environment.

Sales

Sales in the Electronic Controls business unit in 2021 were down 2.8% year on year at €3,535.9 million (previous year: €3,636.8 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 2.8%.



Increase in adjusted EBIT

Adjusted EBIT in Electronic Controls in 2021 rose by €31.6 million or 36.9% year on year to €117.2 million (previous year: €85.6 million), corresponding to 3.3% (previous year: 2.4%) of adjusted sales.

Increase in EBIT

Electronic Controls in 2021 recorded a year-on-year EBIT increase of €90.4 million, bringing it to €63.8 million (previous year: –€26.6 million). Its return on sales improved to 1.8% (previous year: –0.7%).

The amortization of intangible assets from purchase-price allocation (PPA) reduced EBIT by €1.1 million (previous year: €4.6 million).

The total expense from special effects for Electronic Controls in 2021 amounted to €52.3 million (previous year: €107.6 million). For further details, please refer to our comments about the special effects in 2021 and 2020 in the Earnings chapter.

The ROCE was 5.4% (previous year: –2.1%).

Procurement

The procurement market that Electronic Controls operated in during 2021 was influenced primarily by the crisis-level shortage of chip components. This resulted in increased material prices, procurement costs, and logistics costs, which subsequently had a negative effect on the variable cost structure for the past year.

Research and development

Research and development costs (net) fell by €30.3 million or 10.4% year on year to €260.4 million (previous year: € 290.7 million), representing 7.4% of sales (previous year: 8.0%).

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment rose by €17.0 million compared to fiscal 2020 to reach €275.6 million (previous year: €258.6 million), corresponding to 7.8% of sales (previous year: 7.1%). The impairment in this totaled €18.1 million in 2021 (previous year: €9.0 million).

Operating assets

Operating assets in Electronic Controls as at December 31, 2021 increased by €47.5 million year on year to €1,293.2 million (previous year: €1,245.7 million).

Working capital was up €9.5 million at €241.9 million (previous year: €232.4 million). Inventories developed upward by €87.4 million for an amount of €311.2 million (previous year: €223.8 million). Operating receivables fell by €311.0 million to €728.3 million (previous year: €1,039.3 million). Operating liabilities were down €233.0 million at €797.6 million (previous year: €1,030.6 million).

Electronic Controls, € million	**2021**	2020	Δ as a %
Sales	3,535.9	3,636.8	–2.8
EBITDA	339.4	232.0	46.3
As % of sales	9.6	6.4	
EBIT	63.8	–26.6	339.8
As % of sales	1.8	–0.7	
Research and development costs (net)	260.4	290.7	–10.4
As % of sales	7.4	8.0	
Depreciation, amortization, and impairment[1]	275.6	258.6	6.6
Of which impairment[2]	18.1	9.0	101.1
Operating assets (as at Dec. 31)	1,293.2	1,245.7	3.8
Operating assets (average)	1,191.1	1,291.8	–7.8
ROCE as a %	5.4	–2.1	
Capital expenditure[3]	271.3	174.5	55.5
As % of sales	7.7	4.8	
Number of employees (as at Dec. 31)[4]	15,685	16,686	–6.0
Adjusted sales[5]	3,535.9	3,636.8	–2.8
Adjusted EBIT[6]	117.2	85.6	36.9
As % of adjusted sales	3.3	2.4	

1) Excluding impairment of investments.
2) Impairment also includes necessary reversal of impairment losses.
3) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
4) Excluding apprentices/trainees.
5) Adjusted for changes in the scope of consolidation.
6) Adjusted for amortization of intangible assets from purchase-price allocation, changes in the scope of consolidation, and special effects.

Noncurrent operating assets were recognized at €1,758.3 million (previous year: €1,731.3 million), which is €27.0 million lower than in the previous year. Foreign-exchange rates caused goodwill to increase by €11.6 million to €483.7 million (previous year: €472.1 million). Property, plant, and equipment grew by €6.5 million to €1,093.6 million (previous year: €1,087.1 million). Other intangible assets increased by €4.6 million to €153.9 million (previous year: €149.3 million).

Exchange-rate effects increased the total operating assets of the Electronic Controls business unit during the reporting period by €61.7 million (previous year: reduction of €51.6 million).

Average operating assets in Electronic Controls in the 2020 fiscal year fell by €100.7 million to €1,191.1 million (previous year: €1,291.8 million).

Capital expenditure (additions)

Additions to the Electronic Controls business unit were higher by €96.8 million year on year at €271.3 million (previous year: €174.5 million). The capital-expenditure ratio was 7.7% (previous year: 4.8%). The focus for capital expenditure was on new projects in the Drivetrain and Electronics product lines, and there were also recovery effects from 2020 alongside that. Further capital expenditure was triggered by the takeover of long-term leases (IFRS 16 Leases) for development and office buildings from Continental.

Employees

The number of employees at Electronic Controls shrank by 1,001 to 15,685 (previous year: 16,686). This smaller head count is mainly the result of ongoing adjustments as part of transformation.

DEVELOPMENTS IN THE SENSING & ACTUATION BUSINESS UNIT

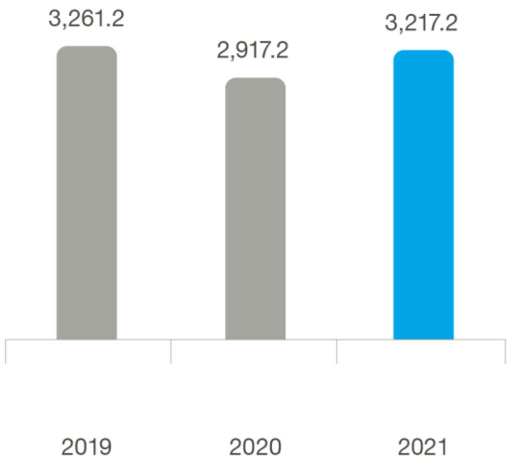
> Sales up by 10.3%
> Sales up by 10.8% when adjusted for changes in the scope of consolidation and exchange-rate effects
> Adjusted EBIT up by 150.0%

Sales volumes

Sales volumes in the Sensing & Actuation business unit were significantly up on the previous year in 2021. The sales figures for NOx sensors in particular, in the Exhaust & Emission Sensors product lines, had increased strongly compared to the year before. Sales of pressure, temperature, fluid, knock, and door-handle sensors in the Transmission & Engine Sensors product line increased only slightly year on year. The Actuators product line was able to sell considerably more products for thermal management and tank-ventilation systems in electric and plug-in hybrid vehicles in the past year. The sales figures for the Catalysts & Filters product line grew significantly, especially in the Indian two-wheeler market. The growing demand for electric/plug-in hybrid vehicles and for modern exhaust treatment for trucks, cars, and motorcycles were the main reasons why the Sensing & Actuation business unit was able to increase its sales on 2020, despite persistent difficulties in the procurement markets. Sales in the Vitesco Technologies Aftermarket product line were remarkably higher.

Sales

Sales in the Sensing & Actuation business unit in 2021 were up 10.3% year on year at €3,217.2 million (previous year: €2,917.2 million). When adjusted for changes in the scope of consolidation and exchange-rate effects, sales increased by 10.8%.



Increase in adjusted EBIT

Adjusted EBIT for Sensing & Actuation in 2021 rose by €161.5 million or 150.0% year on year to €269.2 million (previous year: €107.7 million), corresponding to 8.4% (previous year: 3.7%) of adjusted sales.

Increase in EBIT

Sensing & Actuation in 2021 recorded a year-on-year EBIT increase of €190.7 million, bringing it to €236.5 million (previous year: €45.8 million). The return on sales rose to 7.4% (previous year: 1.6%).

The amortization of intangible assets from purchase-price allocation (PPA) reduced EBIT by €1.6 million (previous year: €4.5 million).

The total expense from special effects for Sensing & Actuation in 2021 amounted to €31.1 million (previous year: €60.0 million). For further details, please refer to our comments about the special effects in 2021 and 2020 in the Earnings chapter.

The ROCE was 22.5% (previous year: 3.9%).

Procurement

The procurement market for the Sensing & Actuation business unit was very challenging in 2021. The continuously rising raw-material prices had a negative effect on the cost structure for the past year. In particular, the very high demand worldwide for electronic components and the simultaneous limited availability of these components led to supply shortages and additional expenditure for procurement.

Research and development

Research and development costs (net) rose by €5.9 million or 3.1% year on year to €193.3 million (previous year: €187.4 million), corresponding to 6.0% (previous year: 6.4%) of sales.

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment increased by €4.0 million compared to fiscal 2020 to reach €186.4 million (previous year: €182.4 million), corresponding to 5.8% of sales (previous year: 6.3%). The impairment in this totaled €10.7 million in 2021 (previous year: €15.7 million).

Operating assets

Operating assets in Sensing & Actuation as at December 31, 2021 decreased by €54.0 million year on year to €978.7 million (previous year: €1,032.7 million).

Working capital was down €29.8 million at €154.9 million (previous year: €184.7 million). Inventories developed upward by €101.5 million for an amount of €301.1 million (previous year: €199.6 million). Operating receivables fell by €69.7 million to €571.3 million (previous year: €641.0 million). Operating liabilities were up €61.7 million at €717.6 million (previous year: €655.9 million).

Noncurrent operating assets were recognized at €1,247.7 million (previous year: €1,227.1 million), an increase of €20.6 million. Foreign-exchange effects caused goodwill to increase by €6.2 million to €319.3 million (previous year: €313.1 million). At €895.8 million, property, plant, and equipment were €9.3 million above the previous year's level of €886.5 million. Other intangible assets increased by €6.4 million to €17.6 million (previous year: €11.2 million). Amortization of intangible assets from purchase-price allocation (PPA) in the amount of €1.6 million (previous year: €4.5 million) reduced the value of intangible assets.

Sensing & Actuation, € million	**2021**	2020	Δ as a %
Sales	3,217.2	2,917.2	10.3
EBITDA	422.9	228.2	85.3
As % of sales	13.1	7.8	
EBIT	236.5	45.8	416.4
As % of sales	7.4	1.6	
Research and development costs (net)	193.3	187.4	3.1
As % of sales	6.0	6.4	
Depreciation, amortization, and impairment[1]	186.4	182.4	2.2
Of which impairment[2]	10.7	15.7	–31.8
Operating assets (as at Dec. 31)	978.7	1,032.7	–5.2
Operating assets (average)	1,050.1	1,173.5	–10.5
ROCE as a %	22.5	3.9	
Capital expenditure[3]	182.8	164.3	11.3
As % of sales	5.7	5.6	
Number of employees (as at Dec. 31)[4]	15,004	16,419	–8.6
Adjusted sales[5]	3,217.2	2,906.1	10.7
Adjusted EBIT[6]	269.2	107.7	150.0
As % of adjusted sales	8.4	3.7	

1) Excluding impairment of investments.
2) Impairment also includes necessary reversal of impairment losses.
3) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
4) Excluding apprentices/trainees.
5) Adjusted for changes in the scope of consolidation.
6) Adjusted for amortization of intangible assets from purchase-price allocation, changes in the scope of consolidation, and special effects.

Exchange-rate effects increased the total operating assets of the Sensing & Actuation business unit during the reporting period by €56.9 million (previous year: reduction of €43.6 million).

Average operating assets in Sensing & Actuation in the 2020 fiscal year fell by €123.4 million to €1,050.1 million (previous year: €1,173.5 million).

Capital expenditure (additions)

Additions to the Sensing & Actuation business unit were higher by €18.5 million year on year at €182.8 million (previous year: €164.3 million). The capital-expenditure ratio was 5.7% (previous year: 5.6%).

Significant additions were attributable to the expansion of production capacity for electrification projects and to the conclusion and renewal of long-term leases (IFRS 16 Leases) for office buildings.

Employees

The number of employees at Sensing & Actuation reduced by 1,415 to 15,004 (previous year: 16,419). This decline was due primarily to the adjustment to lower production volumes in the fourth quarter of 2021, process improvements, and productivity increases.

DEVELOPMENTS IN THE CONTRACT MANUFACTURING BUSINESS UNIT

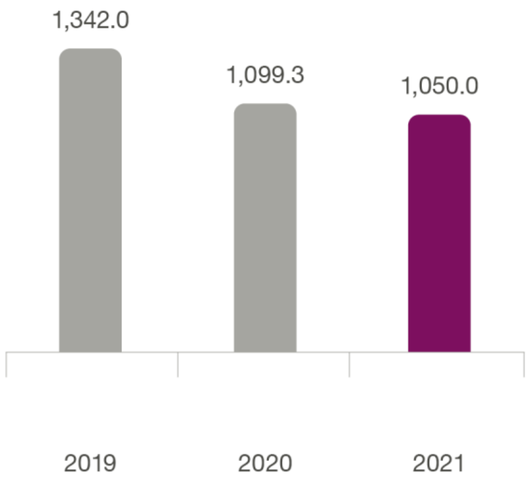
> Sales down by 4.5%
> Sales down by 5.1% when adjusted for changes in the scope of consolidation and exchange-rate effects
> Adjusted EBIT down by 20.2%

Sales volumes

The volatile market environment caused by the COVID-19 pandemic and the availability of components led sales volumes to fall year on year. Regionally, business in Europe increased and closed the full year slightly above the previous year's level. Asia and North America were significantly lower than in the previous year.

Sales

Sales in the Contract Manufacturing business unit in 2021 were down 4.5% year on year at €1,050.0 million (previous year: €1,099.3 million). Before changes in the scope of consolidation and exchange-rate effects, sales declined by 5.1%.



Adjusted EBIT down

Adjusted EBIT for the Contract Manufacturing business unit in 2021 fell by €10.8 million or 20.2% year on year to €42.7 million (previous year: €53.5 million), corresponding to 4.1% (previous year: 4.9%) of adjusted sales.

Increase in EBIT

Contract Manufacturing in 2021 recorded a year-on-year EBIT increase of €50.7 million or 95.7%, bringing it to €103.7 million (previous year: €53.0 million). The return on sales rose to 9.9% (previous year: 4.8%).

The total income from special effects for Contract Manufacturing in 2021 amounted to €61.0 million (previous year: expense of €0.5 million). For further details, please refer to our comments about the special effects in 2021 and 2020 in the Earnings chapter.

The ROCE was 45.4% (previous year: 21.2%).

Procurement

The procurement market in fiscal 2021 was characterized by low availability of electronic components. This resulted in increased material prices, procurement costs, and logistics costs, which subsequently had a negative effect on the variable cost structure for the past fiscal year.

Research and development

Research and development costs (net) fell by €14.1 million year on year and led to income of €0.3 million (previous year: expense of €13.8 million).

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment fell by €7.3 million compared to fiscal 2020 to reach €54.8 million (previous year: €62.1 million), corresponding to 5.2% of sales (previous year: 5.6%). This item did not include any impairment in fiscal 2021 (previous year: €0.3 million).

Operating assets

Operating assets in Contract Manufacturing as at December 31, 2021 decreased by €145.0 million year on year to €134.0 million (previous year: €279.0 million).

Working capital was up €32.5 million at €42.2 million (previous year: €9.7 million). Inventories developed upward by €22.0 million for an amount of €102.1 million (previous year: €80.1 million). Operating receivables fell by €52.1 million to €107.0 million (previous year: €159.1 million). Operating liabilities were down €62.6 million at €166.9 million (previous year: €229.5 million).

Noncurrent operating assets were recognized at €196.1 million (previous year: €285.0 million), a reduction of €88.9 million. At €194.9 million, property, plant, and equipment were €85.6 million below the previous year's level of €280.5 million. Other intangible assets fell by €3.1 million to €0.3 million (previous year: €3.4 million).

Contract Manufacturing, € million	**2021**	2020	Δ as a %
Sales	1,050.0	1,099.3	–4.5
EBITDA	158.5	115.1	37.7
As % of sales	15.1	10.5	
EBIT	103.7	53.0	95.7
As % of sales	9.9	4.8	
Research and development costs (net)	–0.3	13.8	102.2
As % of sales	–0.0	1.3	
Depreciation, amortization, and impairment[1]	54.8	62.1	–11.8
Of which impairment[2]	–	0.3	–
Operating assets (as at Dec. 31)	134.0	279.0	–52.0
Operating assets (average)	228.2	249.6	–8.6
ROCE as a %	45.4	21.2	
Capital expenditure[3]	9.7	19.6	–50.5
As % of sales	0.9	1.8	
Number of employees (as at Dec. 31)[4]	2,759	3,890	–29.1
Adjusted sales[5]	1,050.0	1,099.3	–4.5
Adjusted EBIT[6]	42.7	53.5	–20.2
As % of adjusted sales	4.1	4.9	

1) Excluding impairment of investments.
2) Impairment also includes necessary reversal of impairment losses.
3) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
4) Excluding apprentices/trainees.
5) Adjusted for changes in the scope of consolidation.
6) Adjusted for amortization of intangible assets from purchase-price allocation, changes in the scope of consolidation, and special effects.

Exchange-rate effects increased the total operating assets of the Contract Manufacturing business unit during the reporting period by €12.1 million (previous year: reduction of €16.9 million).

Average operating assets in Contract Manufacturing in the 2020 fiscal year fell by €21.4 million to €228.2 million (previous year: €249.6 million).

Capital expenditure (additions)

Additions to the Contract Manufacturing business unit were lower by €9.9 million year on year at €9.7 million (previous year: €19.6 million). The capital-expenditure ratio was 0.9% (previous year: 1.8%). There were major additions relating to the maintenance and selective expansion of production capacity.

Employees

The number of employees at Contract Manufacturing decreased by 1,131 to 2,759 (previous year: 3,890). This decline was due primarily to the adjustment to lower production volumes, process improvements, and productivity increases. There was also shrinkage in the head count due to the ongoing separation of relations with the Continental Group.

VITESCO TECHNOLOGIES GROUP AG – SHORT VERSION IN ACCORDANCE WITH HGB

IN ADDITION TO THE REPORTING ON THE GROUP AS A WHOLE, THE PERFORMANCE OF THE PARENT COMPANY IS PRESENTED SEPARATELY HERE.

Unlike the consolidated financial statements, the annual financial statements of Vitesco Technologies Group AG are prepared in accordance with German commercial law (HGB and AktG). The management report of Vitesco Technologies Group AG has been consolidated into the combined report of the Vitesco Technologies Group in accordance with HGB § 315(5), as the parent company's future risks and opportunities and its expected development are inextricably linked to that of the Group as a whole. In addition, the following presentation of the parent company's business performance, including its earnings, assets, and finances, provides a basis for understanding the Executive Board's proposal for the distribution of retained earnings.

Vitesco Technologies Group AG is a holding company that exercises a governance role within the Vitesco Technologies Group. As at December 31, 2021, there were 15 people (previous year: 0) who were employed at Vitesco Technologies Group AG.

Vitesco Technologies Group AG holds direct or indirect interests in 44 companies, including noncontrolling interests. The economic conditions experienced by Vitesco Technologies Group AG are broadly the same as those experienced by the Vitesco Technologies Group and are described in the chapters focusing on the development of each business unit.

Vitesco Technologies Group AG was spun off from Continental AG on September 15, 2021. The stock of Vitesco Technologies Group AG was then quoted for the first time on the Frankfurt Stock Exchange on September 16, 2021.

Earnings

Vitesco Technologies Group AG Income Statement per HGB, € million	2021	2020
Revenue	2.3	–
Cost of sales	–2.3	–
Gross profit	**0.0**	**–**
General administrative costs	–7.2	0.0
Other operating income	3.8	0.0
Other operating expenses	–38.6	0.0
Other interest and similar income	0.1	–
Interest and similar expenses	–0.1	–
Write-downs of financial assets	–1,000.0	–
Profit before tax	**–1,042.0**	**0.0**
Other taxes	–8.4	–
Net profit	**–1,050.4**	**0.0**

The revenue mainly consists of transferred costs for administrative services and income from leasing buildings to affiliated companies.

Accordingly, the cost of sales results from these administrative services and from leasing buildings.

The general administrative costs in the 2021 fiscal year were affected by the costs for the governance role exercised by Vitesco Technologies Group AG for the Vitesco Technologies Group, with personnel expenses, expenses for the D&O insurance beginning with the spin-off, and expenses for the Annual General Meeting, Supervisory Board, the auditor's audit of the annual and consolidated financial statements, and the auditor's review of the interim financial reports.

The increase in other operating income is due to a refund from Continental AG of half of the land-transfer tax expense resulting from the spin-off.

Other operating expenses have risen by €38.6 million. This change is mainly the result of the spin-off and IPO costs that Vitesco Technologies Group AG must pay according to the Group-separation agreement.

There is a significant lack of planning certainty as a result of the current, varied range of uncertainties regarding the future development of the automotive-supplier industry. Given this background, investments in associates were written down by €1,000 million with effect from the end of the reporting period.

The other taxes consisted of insurance and land-transfer taxes in particular.

Assets and Finances

Vitesco Technologies Group AG Statement of Financial Position per HGB, € million	December 31, 2021	December 31, 2020
Assets, € million		
Investments	3,655.2	–
Noncurrent assets	**3,655.2**	**–**
Receivables and other assets	44.2	**–**
Credit balance at banks	0.0	0.0
Current assets	**44.2**	**–**
Prepaid expenses	**2.1**	**–**
Total assets	**3,701.5**	**0.0**
Shareholders' equity and liabilities, € million		
Equity	**3,604.8**	**0.0**
Provisions	**23.1**	**0.0**
Liabilities	**73.6**	**–**
Total assets	**3,701.5**	**0.0**

The €3,655.2 million change in noncurrent assets is, first of all, the result of the contribution of the limited-partner interests of Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, Regensburg (previously Hanover) and the shares in the fully liable partner companies of Vitesco Technologies 1. Verwaltungs GmbH, Regensburg (previously Hanover) and Vitesco Technologies 2. Verwaltungs GmbH, Regensburg (previously Hanover) from Continental AG as part of the spin-off. Secondly, an impairment write-down was made on investments.

Receivables and other assets increased by €44.2 million. This is largely attributable to VAT receivables of an amount of €40.2 million (previous year: €0.0 million).

The prepaid-expenses asset of €2.1 million results from the prepayment of D&O insurance for the 2022 fiscal year.

Equity has risen by €3,604.8 million, which is due to the contribution of a total €4,655.2 million from the aforementioned companies. This was countered by the net loss of €1,050.4 million that was incurred during the fiscal year.

The provisions are made up of provisions for pensions and similar obligations, tax provisions, and other provisions. The provisions for pensions and similar obligations include pension commitments to the Executive Board and employees of Vitesco Technologies Group AG. The tax provision covers the land-transfer tax due from the spin-off. The other-provisions item mainly includes obligations related to bonus commitments and services in connection with the IPO that have already been provided or must be delivered in accordance with the Group-separation agreement.

The €73.6 million increase in liabilities is mainly the result of the rendering by Vitesco Technologies GmbH of services associated with the IPO and transfer of the VAT receivable.

Opportunities and risks

Business development at Vitesco Technologies Group AG is subject to the same opportunities and risks as the Vitesco Technologies Group. The stake that Vitesco Technologies Group AG has in the risks of its subsidiaries and investments generally corresponds with the size of its interest in each investment.

Vitesco Technologies Group AG, as the parent of the Vitesco Technologies Group, is integrated into the Group-wide risk-management system. The description required under HGB § 289(4) of the internal control system for Vitesco Technologies Group AG is provided in the Risk and Opportunity Report chapter.

Outlook

The expectations for Vitesco Technologies Group AG are reflected in the forecast for the Group owing to its close integration with the Group’s companies. The earnings, assets, and finances of Vitesco Technologies Group AG are dependent on the business development of and distributions from the Group’s companies. Based on our current planning, we are expecting for our net profit to improve, though we are not expecting positive income from investments or retained earnings in the 2022 fiscal year either.

OTHER DISCLOSURES

DEPENDENT-COMPANY REPORT

Final declaration from the Executive Board’s report on relations with affiliated companies pursuant to AktG § 312

In fiscal 2021, Vitesco Technologies Group AG was a dependent company of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, as defined under AktG § 312. In line with AktG § 312(1), the Executive Board of Vitesco Technologies Group 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, 2021, 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 benefit before the end of the 2021 fiscal year. The Company did not suffer any detriment because of taking or omitting to take measures.”

ADDITIONAL DISCLOSURES AND NOTES PURSUANT TO HGB §§ 289A AND 315A

Composition of subscribed capital

The Company’s subscribed capital amounted to €100.1 million at the end of the reporting period. It is divided into 40,021,196 registered no-par shares. These shares 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 Annual General Meetings (Article 20(1) of the Articles of Incorporation). There are no shares with privileges.

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) in the List of Shareholdings of the Group chapter of the notes.

Bearers of shares with privileges

There are no shares with privileges granting control.

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.

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

> 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 AktG § 84 in conjunction with MitbestG § 31. In line with this, the Supervisory Board is responsible for the appointment and dismissal of members of the Executive Board. These decisions require a majority of two-thirds of its members in order to be passed. If this majority is not reached in the event of an appointment, the Conciliation Committee must submit a nomination to the Supervisory Board for the appointment within one month of the vote. Other nominations can also be submitted to the Supervisory Board in addition to the Conciliation 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 the vote results in a tie, a new vote takes place in which the Chairman of the Supervisory Board casts a tie-breaking vote in accordance with MitbestG § 31(4).

> Amendments to the Articles of Incorporation are made at the Annual General Meeting. In Article 13 of the Articles of Incorporation, a resolution was passed at the Annual General Meeting to exercise the option granted in AktG § 179(1) second sentence 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 at Annual General Meetings to amend the Articles of Incorporation are usually adopted based on 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.

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

> The Executive Board can issue new shares only on the basis of resolutions at Annual General Meetings. 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.

> The Executive Board may only buy back shares under the conditions codified in AktG § 71. Resolutions have not been passed at an Annual General Meeting to authorize the Executive Board to acquire treasury shares in line with AktG § 71(1)(8).

Material agreements of the Company subject to a change-of-control clause following a takeover bid and their consequences

The following material agreements are subject to a change-of-control clause at Vitesco Technologies Group AG:

> The agreement concluded on March 24, 2021, for a syndicated revolving credit facility of €1,000.0 million 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 Vitesco Technologies Group AG and subsequent negotiations concerning a continuation of the loan do not lead to an agreement. The term "control" is defined as holding more than 50% of the voting rights or if Vitesco Technologies Group AG concludes a domination agreement within the meaning of AktG § 291 with Vitesco Technologies Group AG as the company dominated.

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 to provide 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 fixed, non-performance-based component, including specific fringe benefits and an entitlement to a retirement plan, and variable, performance-based remuneration consisting of a short-term remuneration component and long-term remuneration components. Further information, including personal earnings, is provided in the remuneration report, which can be found in the Remuneration Report chapter of the corporate-governance report. Neither of these reports forms part of the management report.

CORPORATE-GOVERNANCE STATEMENT PURSUANT TO HGB § 289F

The corporate-governance statement pursuant to HGB § 289f is available to shareholders in the “Investors”/“Corporate Governance” section of the Company’s website (ir.vitesco-technologies.com).

REPORT ON RISKS AND OPPORTUNITIES

USING THE RISK AND OPPORTUNITY MANAGEMENT SYSTEM THE OVERALL SITUATION IS ANALYZED AND MANAGED ACROSS THE GROUP.

Business management at Vitesco Technologies is done in such a way that it aims for sustainable growth and permanent increases in the Group’s value. We evaluate risks and opportunities responsibly and on an ongoing basis in order 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, Vitesco Technologies 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, there are also opportunities that we intend to consistently seize, as described in the Group Strategy chapter. We accept manageable risks if the resulting opportunities are expected to result in sustainable growth in value. For us, growth in value means achieving a permanent return on capital employed that exceeds the weighted average cost of capital.

RISK AND OPPORTUNITY MANAGEMENT AND 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 accounting and compliance with applicable legal and sublegislative provisions, Vitesco Technologies has created a governance system that encompasses all relevant business processes. The governance system comprises the internal control system, the risk management system, and the compliance management system, which is described in detail in the corporate-governance statement. The risk management system in turn also includes the early risk-detection system in accordance with AktG § 91(2).

The Executive Board is responsible for the governance system, which also covers all subsidiaries. The Supervisory Board and its Audit Committee monitor its effectiveness.

Pursuant to HGB §§ 289(4) and 315(4), the main characteristics of the internal control and risk management systems 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.

Key elements of the Group-wide control systems are the clear allocation of responsibilities and controls inherent in the system when preparing the financial statements. The two-person rule and separation of functions are fundamental principles of this organization. In addition, the executive management at Vitesco Technologies ensures accounting that complies with the requirements of law by issuing guidelines on the preparation of financial statements and on accounting, access authorizations for IT systems, and regulations on the involvement of internal and external specialists.

The effectiveness of the financial reporting internal control system (financial reporting ICS) is evaluated in major areas by testing the effectiveness of the reporting units on a quarterly basis. If any weaknesses are identified, the Group’s management initiates the necessary measures.

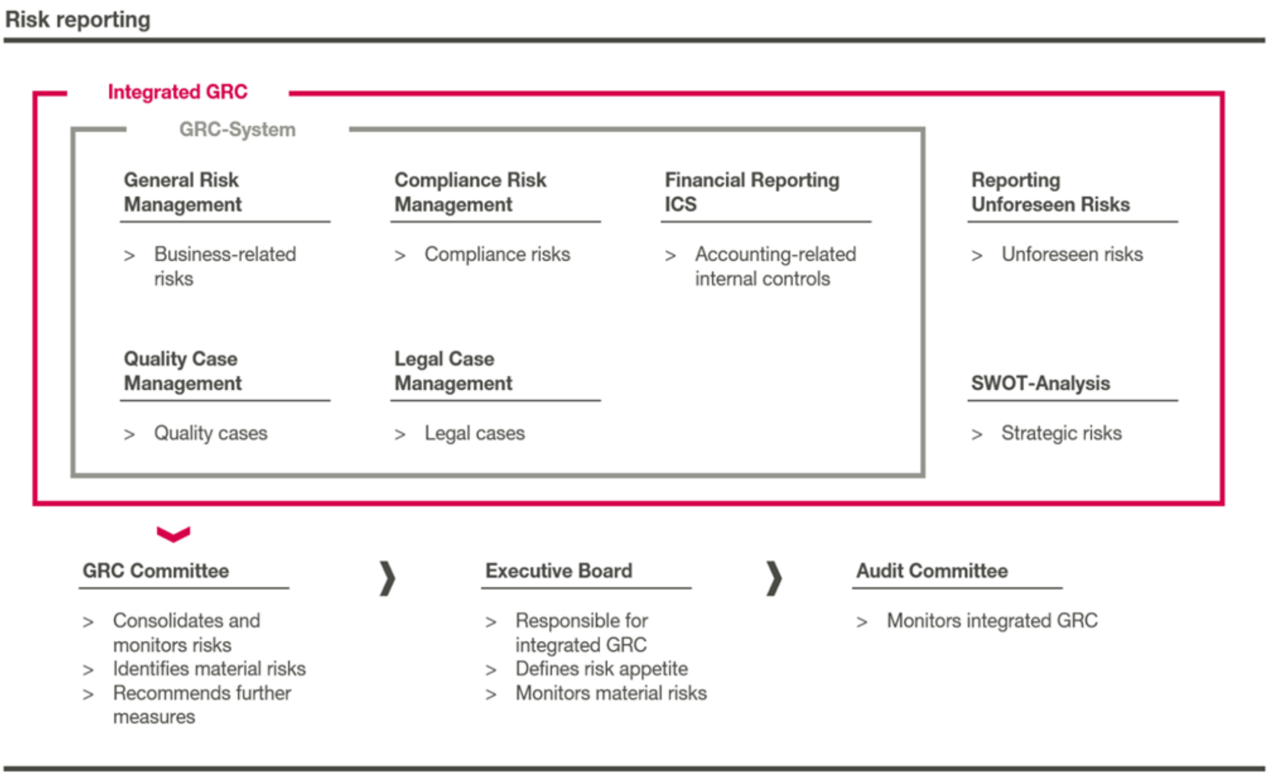
As part of our opportunity management activities, we assess market and economic analyses and changes in legal requirements (e.g. with regard to fuel consumption and emission standards). In addition, we deal with the corresponding effects on the automotive sector and relevant markets, our production factors,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

Governance, Risk & Compliance (GRC)

In its Governance, Risk & Compliance (GRC) Group Policy, Vitesco Technologies defines the general conditions for integrated GRC as a key element of the risk management system, which regulates the identification, assessment, reporting, and documentation of risks. In addition, this also further increases Group-wide risk awareness and establishes the framework for a consistent risk culture. The GRC Committee ensures that this policy is adhered to and implemented.

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 multistage assessment process is used to involve the higher-level organizational units as well. The GRC system thus includes all reporting levels, from the Company level to the top Group level.

Risk reporting



At Group level, the responsibilities of the GRC Committee – chaired by the Chief Financial Officer – include identifying material risks for the Group. 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 that they identified as part of their audit activities.

Risk assessment and reporting

An observation period of one year is always applied when evaluating risks and opportunities. The risks and their effects are assessed primarily according to quantitative criteria and assigned to different categories in line with the net principle, i. e. after risk mitigation measures. 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 Vitesco Technologies' reputation.

Material individual risks for the Group are identified from all the reported risks based on the probability of occurrence and the amount of damage that would be caused during the observation period.

The individual risks that Vitesco Technologies 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 profit effect of an individual risk or the sum of risks included in a category exceeds €20.0 million in the observation period or there is a significant negative impact on the Group's goals.

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

All major subsidiaries carry out a twice-yearly assessment of business-related risks and an annual assessment of compliance risks in the GRC system's IT-aided risk management application. Any quality or legal cases that have actually occurred are also taken into account when assessing these risks. The quarterly financial reporting ICS completes regular GRC reporting.

Furthermore, the GRC Committee identifies and assesses strategic risks, for example as part of a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). Any new material risks arising unexpectedly between regular reporting dates have to be reported immediately and considered by the GRC Committee.

In addition to the risk analyses carried out by the reporting units as part of integrated GRC, audits are also performed by the Group Audit department. The central controlling function additionally analyzes the key figures provided as part of planning and reporting.

Vitesco Technologies has set up a global whistleblower system (Integrity Line) to give employees and third parties outside the Vitesco Group the opportunity to report violations of legal regulations, its fundamental values, and ethical standards. Information on any kind of potential violations, such as bribery or antitrust behavior, as well as accounting manipulations, can be reported anonymously, where permissible by law, using this line. Tips received through the system are examined, pursued, and dealt with by the Group Audit and Compliance departments, as required, with the assistance of other departments.

Risk management

The responsible management initiates suitable countermeasures that are also documented in the GRC system for each risk identified and assessed as material. The GRC Committee monitors and consolidates the identified risks and suitable countermeasures at Group level. It regularly reports to the Executive Board and recommends further measures if needed. The Executive Board discusses and decides on 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 Audit regularly audits the risk management process and, in doing so, continually monitors its effectiveness and further development.

MATERIAL RISKS

The order in which the risk categories and individual risks are presented within the four risk groups reflects the current assessment of the relative risk exposure for Vitesco Technologies and thus provides an indication of the current significance of these risks.

The relative risk exposure is based on the likelihood of occurrence and amount of damage that would be caused during the observation period. The following table displays our assessments of the likelihood of the various risks and uses the below terminology to reflect specific percentage ranges.

Very low:	smaller than 10 percent
Low:	10 to 20 percent
Medium:	20 to 50 percent
High:	greater than 50 percent

Likelihood of Occurrence

	Likelihood
Financial risks	
Default risks in connection with cash and cash equivalents	Very low
Exchange-rate changes and hedging	Very low
Financing agreements	Very low
Risks related to the Markets in which Vitesco operates	
Ongoing negative impact of the COVID-19 pandemic	Medium
Global financial and economic crisis	Low
Geopolitical volatility and political upheaval	Medium
Accelerated change within the automotive industry	Medium
Cyclical industry	Medium
Risks related to Vitesco's Business Operations	
Dependence on a limited number of key suppliers	High
Fluctuations in the prices of raw materials and components	High
Property loss and business interruption	Medium
Information-technology risks	Medium
Pension obligations	Medium
Additional, burdensome environmental or safety regulations	Medium
Dependence on a small number of major customers	Very low
Legal and tax risks	
Warranty and product-liability claims	Low
Fines and claims for damages due to unlawful conduct	Medium
Compensation payments and costs from official investigations	Medium
Legal disputes	Low
Tax returns	Low
Changes of tax laws or the application of such laws	Low
Sufficient protection of intellectual property and technical expertise	Low
Infringement of third parties' industrial-property rights	Low

If no quantitative information on the amount of damage is provided, the assessment is carried out on the basis of qualitative criteria. The risks pertain to all organizational units unless otherwise stated explicitly.

FINANCIAL RISKS

Vitesco Technologies 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, Vitesco Technologies 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 when the core-bank principle is not applied for operational or regulatory reasons – is continuously monitored. In addition, Vitesco Technologies sets investment limits for each bank and replacement 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. The cash and cash equivalents, interest-bearing investments, and positive (net) fair values of derivative instruments held at banks are within these limits and currently fall within a range from €250.0 million to €350.0 million.

Vitesco Technologies is exposed to risks associated with changes in currency-exchange rates and hedging.

Vitesco Technologies 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 for procurement in euros, as Vitesco Technologies sources part of its required materials in foreign currency. As a result of these factors, fluctuations in exchange rates can influence the earnings of Vitesco Technologies.

External and internal transactions involving the delivery of products and services to third parties and companies of the Vitesco Technologies Group can result in cash inflows and outflows that are denominated in currencies other than the functional currency of the respective subsidiary of the Vitesco Technologies Group (transaction risk). To the extent that cash outflows of the respective subsidiary of the Vitesco Technologies 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 and currency swaps.

Moreover, Vitesco Technologies is exposed to exchange-rate risks arising from internal loan agreements that result in cash inflows and outflows denominated in currencies other than the functional currency of the respective subsidiary of the Vitesco Technologies Group. These exchange-rate risks are in general hedged against by using appropriate derivative instruments, particularly currency forwards and currency swaps. Internal loan agreements denominated in a foreign currency generally have hedges with the same maturity. In addition, a number of Vitesco Technologies' consolidated companies report their results in currencies other than the euro, which requires Vitesco Technologies to convert the relevant items into euros when preparing the Group's consolidated financial statements (translation risk). Translation risks are generally not hedged.

In order to quantify the possible effects of transaction-related exchange-rate risks from financial instruments on the earnings of the Vitesco Technologies 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 Vitesco Technologies at the same time, then the hypothetical negative effect on the Group's earnings, calculated based on a 10.0% change in the current closing rate, would amount to between €30.0 million and €35.0 million.

Vitesco Technologies is exposed to risks associated with financing agreements.

Vitesco Technologies is exposed to risks associated with the existing syndicated loan. The loan agreement includes conditions that could make it difficult or potentially impermissible for Vitesco Technologies to draw down on the credit line if the conditions are not upheld or if a change of control is not approved.

Due to the current market risks and operational and legal risks to which Vitesco Technologies is exposed, it cannot be ruled out that Vitesco Technologies might breach the covenants stipulated in the existing loan agreement if circumstances were to become tense. Creditors could deny a drawdown on the credit line if there were such a breach of the covenants or as a consequence of an unapproved change of control.

The requirements for and consequences of a change of control in accordance with the terms of the syndicated loan agreement are described in detail in the chapter Additional Disclosures and Notes Pursuant to HGB §§ 289a and 315a.

The total commitment under the syndicated loan consists of a revolving tranche of €750.0 million, which is the main credit line, and an incremental revolving credit facility of €250.0 million. They had not been utilized as at the end of fiscal 2021.

RISKS RELATED TO THE MARKETS IN WHICH VITESCO TECHNOLOGIES OPERATES

Vitesco Technologies might be strongly affected by the ongoing negative impact of the COVID-19 pandemic.

Due to the ongoing COVID-19 pandemic and the associated measures for responding to it worldwide, there is a risk of significant and long-term negative effects on Vitesco Technologies' sales and procurement markets, including in the form of limited availability of raw materials and components and lower sales volumes. The extent of these effects depends largely on the success achieved in containing the pandemic and on the effectiveness of relief packages and fiscal stimulus provided in response. Further, there exists a risk of claims for damages from Vitesco Technologies' customers if products are not provided by the agreed time, in the agreed quantity, or of the agreed quality. Simultaneously, it is possible that Vitesco Technologies might not be reimbursed for costs from its suppliers or contractors if they cannot fulfill their contractual obligations. While Vitesco Technologies has applied measures aimed, for example, at improving its cost structure and safeguarding supply chains, there is generally a risk of considerable and long-term negative effects of €70.0 million to €80.0 million on Vitesco Technologies' earnings.

Vitesco Technologies might be exposed to significant risks associated with a global financial and economic crisis and impacts from it on relevant markets.

As a global automotive supplier, Vitesco Technologies has a high degree of exposure to fluctuating sales from OEM automobile manufacturers and fluctuating automotive production globally, which is in turn strongly dependent on the global economic situation. The main factors influencing global automotive demand are disposable income and the consumer expenditure and preferences of private households as well as fuel costs and the availability and costs of consumer credit. The automotive markets, in particular in the key regions Europe, North America, and Asia, are currently developing much more weakly than in the past, while also displaying increasing volatility and uncertainty. If this market weakness continues permanently and is intensified by a general economic downturn, it would likely adversely affect the sales and earnings of

Vitesco Technologies. Worldwide trends toward protectionism in the form of duties, trade embargoes, and sanctions as well as a slower economy in China could likewise have a negative impact on Vitesco Technologies' sales.

Vitesco Technologies generates a large proportion of its sales through business with OEMs. The majority of these sales is concentrated on a small number of OEMs. If one or more of Vitesco Technologies' OEM customers is lost or terminates a supply contract prematurely, the original investments made by Vitesco Technologies to provide such products or outstanding claims against such customers could be wholly or partially lost.

There can also be risks from disadvantageous changes in the geographic distribution of global automotive demand. If the demand in one of the key regions where Vitesco Technologies generates its sales collapses without being offset by sales in other markets or regions, this could produce a considerable negative impact on the Group's sales. It is currently impossible to foresee how much markets are going to stabilize or if a further decline in demand should be expected.

The results of a scenario analysis show that this risk could result in a potential negative effect ranging from €140.0 million to €160.0 million.

Vitesco Technologies can face risks arising from geopolitical volatility and political upheaval.

Given the prevailing geopolitical and political environment, including international relationships and conflicts, we believe there is considerable uncertainty in relation to the global economic prospects.

Increased costs and a decline in sales volumes associated with any economic downturn could have significant negative consequences for the sales and profit of Vitesco Technologies.

In addition, Vitesco Technologies is a company with global operations and has business activities with customers and suppliers in countries that are subject to export-control regulations, embargoes, economic sanctions, exclusion policies, and other forms of trade restrictions. Increased impediments to trade, protectionism, and new or expanded sanctions have the potential to restrict existing business activities in these countries or indirectly in other countries. If Vitesco Technologies becomes unable to fulfill its supply obligations in countries subject to sanctions, Vitesco Technologies might be exposed to claims from customers or suffer other losses. Furthermore, the reputation of Vitesco Technologies can suffer from business done with counterparties based in or affiliated with these countries.

Vitesco Technologies might potentially be unable to keep up with the accelerated change within the automotive industry.

The markets in which Vitesco Technologies operates are characterized by rapidly changing technologies (e.g., switching from combustion engines to electric vehicles), changes to technical and regulatory standards, and shifting customer preferences.

Due to increasingly stringent fuel consumption and emission standards throughout the industrial world, including the EU and Asia, automobile manufacturers are increasingly being forced to develop environmentally friendly technologies aimed at lowering fuel consumption as well as carbon and particulate emissions. Since emission standards in Europe and other countries will consist of increasingly stringent reduction targets in the future, the number of hybrid and pure-electric vehicles is expected to increase significantly over the next few years. If this development proceeds more quickly than expected, Vitesco Technologies might be unable to meet customer needs in full and be unable to take full advantage of the potential sales that arise. Moreover, the accelerated trend toward electrification is leading to higher frequency and shorter time to market for new products. This could cause higher development costs and capital expenditure, which could have a negative effect on profitability.

Vitesco Technologies operates in a cyclical industry.

Global production of vehicles and, as a result, sales to OEMs (from whom Vitesco Technologies generates a large proportion of its sales) are subject to major fluctuations in some cases. They depend, among other things, on general economic conditions, disposable income, and changes in consumer spending and preferences, which can be affected by a number of factors including fuel prices and the cost of consumer financing. Since the volume of automotive production fluctuates, the demand for Vitesco Technologies' products is also irregular. It is difficult to predict future developments in the markets that Vitesco Technologies serves. This might lead to losses of sales and earnings. Due to the heavy proportion of fixed costs in the cost structure at Vitesco Technologies, there is also a risk of fixed costs not being fully covered in the event that demand falls strongly and the Group's plants are underutilized as a result. Conversely, if the markets in which Vitesco Technologies operates grow faster than anticipated, there could be insufficient capacity to meet customer demand.

The impact on Vitesco Technologies' profit could run up to more than €20.0 million.

RISKS RELATED TO VITESCO TECHNOLOGIES' BUSINESS OPERATIONS

Vitesco Technologies depends on a limited number of key suppliers for certain products.

Vitesco Technologies is subject to the potential risk of unavailability of certain raw materials and production materials. Although the general policy of Vitesco Technologies is to source input products from a number of different suppliers, single sourcing cannot always be avoided. Consequently, Vitesco Technologies is dependent on a few suppliers with respect to certain products. Since the procurement logistics of Vitesco Technologies 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 the business operations of Vitesco Technologies. Vitesco Technologies tries to limit these risks by endeavoring to select suppliers carefully and monitor them regularly. However, if one of Vitesco Technologies' suppliers is unable to meet its delivery obligations for any reason (e.g. insolvency, destruction of production plants as a result of natural disasters, refusal to perform following a change of control, or the far-reaching effects of the COVID-19 pandemic), Vitesco Technologies 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 products from Vitesco Technologies and could result in Vitesco Technologies having to purchase products 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 Vitesco Technologies, which could make it impossible for Vitesco Technologies 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. It might then also be impossible to rule out claims for damages on a considerable scale. Furthermore, Vitesco Technologies' reputation among OEM customers could suffer, with the possible consequence that they select a different supplier.

Due to the current shortages and supply problems in the semiconductor industry, Vitesco Technologies is currently especially exposed to the risk of increased supply chain costs of €190.0 million to €210.0 million, which stem from increased prices and disadvantageous terms for payment and delivery.

Vitesco Technologies is exposed to fluctuations in the prices of raw materials and components.

Due to global and regional supply/demand dynamics, freight costs, duties, inflation, and various other influencing factors, including the availability and price of input materials for components, the prices for raw materials and components sourced by Vitesco Technologies globally are partially exposed to significant fluctuation. At present, Vitesco Technologies only selectively hedges against the risk of rising prices of raw materials or components by using derivative instruments. If the Company is not able to compensate for the increased costs or to pass them on to customers, the price increases could reduce Vitesco Technologies' earnings by €120.0 million to €140.0 million.

Vitesco Technologies could be adversely affected by property loss and business interruption as a result of natural events.

Natural hazards such as earthquakes, floods, storms, hail, volcanic eruption, lightning, fire, power failures, or other disturbances at the production facilities or within the supply chain of Vitesco Technologies – with customers and with suppliers – can result in severe damage and loss. Climate change might cause these risks and their impacts to heighten significantly as time goes by. The risks arising from business interruption, loss of production, or the financing of facilities are insured up to levels considered commercially reasonable by Vitesco Technologies, 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 Vitesco Technologies.

Vitesco Technologies is exposed to information-technology risks.

With regard to business and production processes, and internal and external communication, Vitesco Technologies is highly dependent on centralized and standardized information-technology systems and networks. These systems and networks 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 and systems could be blocked, damaged, controlled, or destroyed as a result of becoming infected with viruses or malware.

Although Vitesco Technologies has taken appropriate precautions to manage the risks associated with system and network disruptions and corresponding attacks, an outage in a data center or telecommunication network or a comparable incident could result in systems or networks abruptly becoming temporarily unavailable. 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.

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

Vitesco Technologies is exposed to risks associated with pension obligations.

Vitesco Technologies provides defined-benefit retirement plans in Germany, the US, Canada, France, and certain other countries. As at December 31, 2021, the pension obligations amounted to €1,009.2 million. These obligations are financed, among other things, through externally invested plan assets like legally independent trust funds under contractual trust arrangements (CTAs). As at December 31, 2021, Vitesco Technologies' net pension obligations (defined-benefit obligations less the fair value of plan assets) amounted to €750.3 million.

Vitesco Technologies' externally invested plan assets are funded by externally managed funds and insurance companies. While Vitesco Technologies generally prescribes the investment strategies applied by these funds and takes this 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 the influence of Vitesco Technologies. Unfavorable developments in the capital markets could result in a substantial coverage shortfall for these pension obligations, resulting in a significant increase in Vitesco Technologies' net pension obligations.

Any such increase in its net pension obligations could adversely affect the Company's finances due to an increased additional outflow of funds to finance the pension obligations. Also, Vitesco Technologies is exposed to risks associated with longevity and interest-rate changes in connection with its pension obligations, as an interest-rate decrease could have an adverse effect on Vitesco Technologies' liabilities under these retirement plans. This applies especially to the German companies. In 2019, only active employees were transferred within German companies and not any former employees with vested pension rights or benefit recipients.

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 an increase in net pension obligations of €124.1 million, which would not be reduced by taking measures to minimize risk. However, this would not affect EBIT.

Additional, burdensome environmental or safety regulations might have an effect on Vitesco Technologies, and new regulations could adversely affect demand for products and services.

As a corporation that operates worldwide, Vitesco Technologies 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 regulations about air, water, and soil pollution and to waste legislation, all of which have recently become more stringent through new laws, particularly in the EU and the US. Moreover, the sites and operations of Vitesco Technologies demand various permits and the conditions imposed on them must be complied with. In the past, adjusting to new requirements has necessitated significant investments and Vitesco Technologies assumes that further significant investments in this regard will be required in the future.

Vitesco Technologies is reliant on a small number of major customers in certain business units.

The Electrification Technology business unit at the Vitesco Technologies Group generates large proportion of its sales (67%) from its largest two OEM customers. If Electrification Technology were to lose one or both of these OEM customers, or if supply contracts were to be terminated prematurely, this would result in lost sales and earnings and original investments going partially underutilized. Due to the heavy proportion of fixed costs in the cost structure, there is also a risk of fixed costs not being fully covered in the event that the Group's plants are underutilized as a result of this loss.

The future business already confirmed by the Electrification Technology business unit demonstrates an improvement in the distribution of sales among customers, which reduces the dependence on the small number of major customers and means that the risk can be classed as very low.

The potential negative impact of this risk on EBIT is rated at €50.0 million to €60.0 million.

LEGAL AND TAX RISKS

Vitesco Technologies is exposed to warranty and product-liability claims.

Vitesco Technologies is frequently 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 Vitesco Technologies. Moreover, defective products could result in loss of sales and loss of customer and market acceptance. Such risks are insured up to levels considered commercially reasonable by Vitesco Technologies, but its insurance coverage could prove insufficient in individual cases. Additionally, any defect in a product from Vitesco Technologies could also have a considerable adverse effect on the Company's reputation and market perception. This could in turn have a negative impact on the sales and income of Vitesco Technologies. Moreover, vehicle manufacturers are increasingly requiring a contribution from their suppliers for potential product liability, warranty, and recall claims. In addition, Vitesco Technologies is subject to continuing efforts by its customers to change contract terms and conditions concerning the contribution to warranty and recall cost in a way, which is disadvantageous to Vitesco Technologies. Furthermore, Vitesco Technologies manufactures many products pursuant to OEM-customer specifications and quality requirements. If the products manufactured and delivered by Vitesco Technologies 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, Vitesco Technologies' OEM customers could potentially claim damages, even if the cause of the defect is remedied at a later point in time.

The quantifiable risks from warranty and product-liability claims as at December 31, 2021, taking into account provisions, amounted to €100.0 million.

Vitesco Technologies could be threatened with fines and claims for damages for alleged or actual unlawful conduct.

Despite all the measures implemented to ensure compliance, it cannot be fully ruled out that Vitesco Technologies Group AG or one of its subsidiaries may be on the receiving end of fines or claims for damages based on alleged or actual unlawful conduct.

Vitesco Technologies is required to pay compensation and refunds as part of investigation proceedings in connection with alleged usage of illegal defeat devices in diesel engines.

The Hanover district attorney is conducting an investigation due to the alleged usage of illegal defeat devices in Volkswagen's diesel engines. Furthermore, the Frankfurt am Main district attorney is conducting an investigation due to the alleged usage of illegal defeat devices in Mitsubishi's diesel engines. In neither investigation is Vitesco Technologies accused of being complicit. Vitesco Technologies is providing its full cooperation with the district attorneys in Hanover and Frankfurt am Main.

The Executive Board of Vitesco Technologies, based on its assessment of the current status of the investigations being conducted by the Hanover and Frankfurt am Main district attorneys, expects that the Continental Group companies that are party to the proceedings will be issued fines. While Vitesco Technologies is not itself party to the investigation proceedings, it is subject to an obligation under the agreements made with Continental AG as part of the spin-off (the Group-separation agreement) to indemnify companies within the Continental Group for costs and liabilities attributable to the business units that were transferred to Vitesco Technologies. These costs and liabilities can include potential fines and other expenses associated with the aforementioned proceedings. In light of these circumstances, Vitesco Technologies has set aside €80.0 million in total for potential indemnification obligations to the Continental Group and for other investigation-related expenses. These funds are composed as follows: €8.5 million is a provision within the meaning of IAS 37/IAS 19 and €71.5 million is recognized as other financial liabilities within the meaning of IAS 32 owed to Continental AG based on the Group-separation agreement. In particular, the other financial liability toward companies in the Continental Group covers the current obligation that corresponds to the current status of the proceedings. There is a risk that further payment obligations will arise as the investigation goes on.

Vitesco Technologies is exposed to risks from legal disputes.

Companies in the Vitesco Technologies 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 US. Further information about legal disputes can be found in the Litigation and Compensation Claims chapter of the notes.

Vitesco Technologies is exposed to risks from tax returns.

Vitesco Technologies Mexico has accrued claims against the Mexican tax authorities based on an input-tax surplus beginning in the February 2019 VAT period. However, the Mexican tax authorities dismissed some of the refund applications filed separately for each calendar month to collect the claims. All these claims are valid and enforceable in the view of Vitesco Technologies and its tax advisors. To the extent that the refund applications have been denied, Vitesco Technologies Mexico have brought the claims to the Mexican tax courts. There is a risk that these claims cannot be fully collected as expected and will need to be written off.

Vitesco Technologies Mexico is further exposed to a risk that certain input-tax amounts from its business activities with Mexican suppliers will not be tax-deductible if these suppliers do not meet all the requirements for Mexico's e-invoicing system.

The potential impacts of these tax risks are of a scale of approximately €30 million.

Vitesco Technologies might be affected by changes in tax laws or the application or interpretation of such laws.

Certain Vitesco Technologies Group companies in China have a privileged tax status owing to their classification as a High and New Technology Enterprise (HNTE). HNTEs are businesses that have met specific criteria set by the Chinese government and are thus deemed worthy of support for the development of the Chinese economy. The main advantage to recognition as an HNTE is a reduction of corporation tax from 25% to 15%.

Consequently, it should be expected that the Chinese tax authorities will reinforce the annual checks on the companies' fulfillment of the HNTE requirements. If Vitesco Technologies were to lose its classification as an HNTE and retroactively or prospectively lose its entitlement to the tax benefits that result from it, this would produce a significant tax-burden increase of between €30.0 million and €40.0 million.

Vitesco Technologies might be unsuccessful in adequately protecting its intellectual property and technical expertise.

The products of Vitesco Technologies are highly dependent upon its technological know-how and the scope and limitations of its proprietary rights related to them. Vitesco Technologies 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 Vitesco Technologies 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.

Part of Vitesco Technologies' 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 Vitesco Technologies' know-how and trade secrets could be transferred to collaboration partners, customers, or suppliers, including Vitesco Technologies' machinery suppliers or plant vendors. Competitors could potentially copy this know-how without incurring any expenses of their own. Moreover, Vitesco Technologies has concluded a number of license, cross-licensing, collaboration, and development agreements with its customers, competitors, and other third parties under which Vitesco Technologies is granted rights to industrial property and/or know-how belonging to 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 Vitesco Technologies with reduced access to intellectual property rights to commercialize its own technologies.

There is a risk that Vitesco Technologies could infringe on the industrial-property rights of third parties.

There is a risk that Vitesco Technologies 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 Vitesco Technologies. As a result, Vitesco Technologies 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, Vitesco Technologies could be liable to pay compensation for infringements or could be forced to purchase licenses to continue using technology from third parties. In addition, Vitesco Technologies is subject to continuing efforts by its customers to change contract terms and conditions concerning its contribution to disputes based on alleged IP violations, which is disadvantageous to Vitesco Technologies.

MATERIAL OPPORTUNITIES

Unless there is an emphasis placed on a specific business unit, the opportunities apply to all business units. The Contract Manufacturing business unit was not included in this assessment due to the nature of its business doing purely contract manufacturing for Continental AG.

There are opportunities for Vitesco Technologies 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 will also develop better than we have anticipated. Due to the increased demand for Vitesco Technologies' products among vehicle manufacturers and in the spare-parts 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.

There are opportunities for Vitesco Technologies if the sales markets develop better than anticipated.

If demand for automobiles were to develop better than we have anticipated, this would have positive effects on the sales and earnings of Vitesco Technologies. Particular importance is attached to the European market due to the high share of sales Vitesco Technologies generates in this region (45%).

Vitesco Technologies would have opportunities if semiconductor availability would increase.

The tense situation in the global semiconductor markets has had a significant impact on vehicle-production numbers. Higher semiconductor availability would mean that more vehicles could be manufactured. In turn, our sales would be able to rise more strongly than expected and a lower level of additional expenditure on logistics would also have further effects that would influence Vitesco Technologies' earnings positively.

There would be opportunities for Vitesco Technologies if there were changes in legal frameworks.

A further tightening of the regulatory provisions for fuel consumption and emission standards for motor vehicles could trigger higher demand for products from Vitesco Technologies. With our comprehensive portfolio, we already provide solutions that enable compliance with these changes in legal frameworks. Our portfolio includes in particular systems and components for hybrid and electric drive systems and for clean and more efficient combustion engines. Any rise in installation rates for these products due to increased regulatory provisions would have a positive influence on our sales and earnings.

Vitesco Technologies would have opportunities if vehicles worldwide were to become electrified more quickly.

Not only the number of vehicles manufactured worldwide, but also the mix of electrification in this vehicle production is what determines Vitesco Technologies' potential sales. Electrified vehicles offer greater potential sales than vehicles fitted with a combustion engine. Accordingly, a stronger penetration of electrified drive systems in the world's vehicles would provide a potential opportunity for extra growth in Vitesco Technologies' sales.

Vitesco Technologies has opportunities from the electrification of commercial vehicles.

Increasing regulation in the truck market means that drivetrains for commercial vehicles increasingly need to be made more efficient and less polluting. The electrification of truck drive systems could make a contribution to this and this would simultaneously offer greater potential sales for Vitesco Technologies.

There are opportunities for Vitesco Technologies if prices fall in the raw-materials markets relevant to us.

The earnings of Vitesco Technologies are affected to a significant extent by the cost of raw materials, electronic components, and energy. The cost of metals and plastics are also especially relevant for us. If prices decreased, there would be corresponding opportunities for earnings.

STATEMENT ON OVERALL RISK AND OPPORTUNITIES SITUATION

While its assessments of individual risks have changed, the Executive Board believes that the overall risk situation faced by the Vitesco Technologies Group has not changed materially in comparison to the annotated version of its IPO prospectus dated September 7, 2021, which was connected to Vitesco Technologies' admission to the Regulated Market of the Frankfurt Stock Exchange.

At present, the analysis in the Group-wide risk management system has not identified any risks that would pose a threat to the Company as a going concern either individually or in combination with other risks. In the opinion of the Executive Board, there are also no discernible risks to the Group as a going concern in the foreseeable future.

When considering the material opportunities, there appears to be an appropriate overall risk and opportunities situation with which the risk-mitigating measures and Group strategy of Vitesco Technologies are aligned accordingly.

REPORT ON EXPECTED DEVELOPMENTS

FUTURE GENERAL CONDITIONS

FORECAST OF MACROECONOMIC DEVELOPMENT

The IMF forecast growth of 4.4% for the global economy in 2022 in its World Economic Outlook Update (WEO Update) from January 2022. This percentage growth would signify a weaker recovery than initially anticipated. The particular reasons stated for this are rising energy prices, restricted travel due to the spread of the COVID-19 Omicron variant, and supply-chain disruptions. The escalation of conflict in Ukraine had not yet been considered in the IMF's WEO Update.

The IMF is forecasting high GDP-growth rates for India in particular, where it is expected to reach 9.0%. Growth of 4.8% is anticipated for China, where it is being dampened by restrictions in the Chinese real-estate sector and the slow recovery of private consumption. The IMF also expects growth to increase in many other emerging and developing economies in 2022.

In the eurozone, the IMF expects GDP to increase by 3.9% in 2022, which includes GDP growth of 3.8% in Germany's economy. For the UK, it anticipates that GDP will rise by 4.7%.

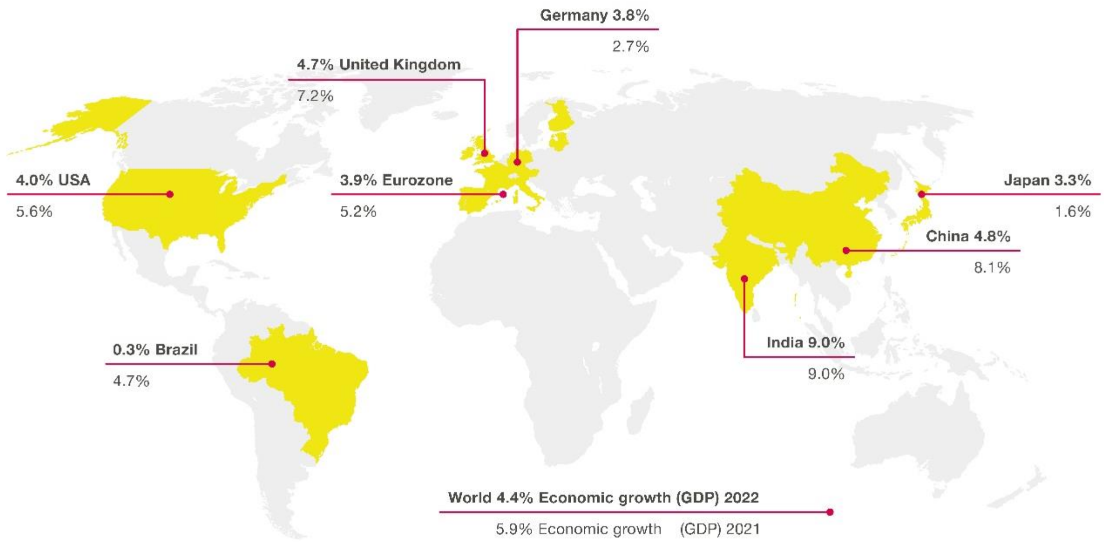
For the US, the IMF predicts GDP growth of 4.0% for 2022. Simultaneously, it is also expecting marked impacts from inflation in the US.

The IMF believes that the Japanese government's fiscal-policy initiatives will have positive effects in that country, allowing for a prediction of 3.3% growth in 2022.

Altogether, the IMF sees the risk-and-opportunity ratio in its outlook as skewed significantly toward risk. Additional COVID-19 variants may develop and once again cause critical challenges in the global economy. The IMF also believes there is a very high level of uncertainty associated with supply shortages, rising energy prices, and real-wage developments. The escalation of the Ukraine conflict had not yet been considered in these assessments, either.

To counter these risks, the IMF is putting emphasis on the crucial role that an effective, worldwide public-health strategy has. At the same time, governments and central banks face the challenge of adapting monetary policy to the growing inflationary pressure and prioritizing health-related and social spending through their interest policies. With regard to climate change, the IMF's WEO Update also says that ongoing investment in sustainability is essential in order to reduce the risks of climate change.

ECONOMIC GROWTH IN 2022 VERSUS 2021 (FOR SELECTED COUNTRIES AND THE WORLD)



Source: IMF, World Economic Outlook Update, January 2022.

FORECAST OF DEVELOPMENTS IN GLOBAL VEHICLE PRODUCTION

Forecast for production of passenger cars and light commercial vehicles

Vitesco Technologies currently anticipates that global production of passenger cars and light commercial vehicles in 2022 might recover moderately, particularly in the second half of the year, and increase by a total of 8% to 10% compared to 2021. This estimate takes into account the currently expected impact of the ongoing COVID-19 pandemic on production volumes in 2022 and the ongoing shortages of goods, especially chips. Vitesco Technologies expects the situation to improve slightly starting in the third quarter of 2022, with further moderate effects in the fourth quarter of 2022. It expects that the volumes in each of the first two quarters of 2022 will remain at about the same level as the fourth quarter of 2021.

The current events transpiring in Ukraine cannot yet be quantified as Vitesco Technologies' level of knowledge is insufficient and have therefore not been incorporated into this forecast of developments in global vehicle production. For example, the conflict could possibly lead to goods shortages, which would subsequently result in vehicle manufacturers adjusting their production levels at short notice. Such adjustments would be able to affect the expectations described below. Far-ranging consequences for the entire economy cannot be ruled out, either.

In Europe, Vitesco Technologies expects a 17% to 19% increase in the production of passenger cars and light commercial vehicles in 2022. Volumes of electrified cars are likely to see another substantial increase as a result of the more stringent carbon-emissions standards in the EU and government incentives.

In the North-American market, Vitesco Technologies currently anticipates that the volume of passenger cars and light commercial vehicles produced will reach just under four million units per quarter in 2022. This will likely represent a 15% to 17% increase year on year, as the previous year was deeply affected by supply shortages.

In China, Vitesco Technologies expects 0% to 2% growth in the production volumes of passenger cars and light commercial vehicles in 2022.

FORECAST OF CHANGES IN VEHICLE PRODUCTION IN 2022 (VERSUS 2021)

	Europe	North America	China	Worldwide
Vehicle production as a %	17 to 19	15 to 17	0 to 2	8 to 10

Source: internal estimates.

OUTLOOK FOR VITESCO TECHNOLOGIES

Forecast methodology

Each year, Vitesco Technologies forecasts the key performance indicators for the Group in the new fiscal year. They include the Group's sales and adjusted EBIT margin. In addition, Vitesco Technologies provides information about its assessment of important factors that influence its adjusted EBIT. These factors include the expected development of special effects such as the amount of the write-downs from purchase-price allocation or restructuring. This enables the reconciliation with the reportable EBIT expected from Vitesco Technologies.

Moreover, Vitesco Technologies publishes a forecast for the capital expenditure planned for the current year and its expected free cash flow. Its forecast is based on Vitesco Technologies' assessment of the most important production and sales markets in the new fiscal year.

In addition to the aforementioned information pertaining to the overall Group, it also publishes a quality-based comparative forecast of the business development expected in its individual business units. Vitesco Technologies provides information about the expected developments in sales and adjusted EBIT in individual business units as well as a comparison with the previous year's figures.

Vitesco Technologies announces its forecast through its financial press conference and publication of its annual report. It is continually reviewed over the course of the fiscal year. Possible changes to the forecast are described no later than the report for the relevant quarter.

Comparison against previous year's forecast

As the listing of Vitesco Technologies only took place on September 16, 2021, Vitesco Technologies Group AG does not have an annual report for the 2020 fiscal year in which it could have published an outlook for the 2021 fiscal year. The prospectus published by Vitesco Technologies Group AG for its listing did not contain a forecast, either. Its first statements regarding its anticipated performance in the 2021 fiscal year were made as part of the quarterly reporting process when its quarterly report was published on November 11, 2021.

The outlook for the 2021 fiscal year was based on an assumption that the global production of passenger cars and light commercial vehicles would stagnate somewhat compared to the previous year. Vitesco Technologies expects that developments will vary widely between different regions. In China, production is anticipated to decline by approximately 1%. The European market is expected to have its automobile production decline by about 3% on 2020. North-American vehicle production is forecast to remain at about the same level as the previous year. Outside these three key regions, vehicle production is expected to grow by about 5% compared to the previous year.

Vitesco Technologies issued a forecast on November 11, 2021 for its consolidated sales to be between €8.2 billion and €8.4 billion in fiscal 2021, which was underpinned by the production assumptions published at that time. Given that production volumes remain relatively low and additional expenditure is needed, especially because of the global chip shortage, Vitesco Technologies made a forecast for an adjusted EBIT margin of 1.5% to 1.7% for the 2021 fiscal year. This margin also assumed an adjustment for special effects of €160 million to €190 million.

The forecast predicted that the capital expenditure planned for the year under review, excluding right-of-use assets within the meaning of IFRS 16 Leases, would make up 5.2% to 5.5% of planned sales in the 2021 fiscal year. The Group anticipated on November 11, 2021 that free cash flow for 2021 as a whole would amount to between €70 million and €120 million.

The actual sales of €8,348.5 million that were achieved for the 2021 fiscal year were therefore within the range provided in the outlook. The adjusted EBIT margin, which was 1.8% in fiscal 2021, was slightly above the forecast range. The actual margin included special effects of €109.1 million, which is significantly less than the assumption of €160 million to €190 million.

Capital expenditure, excluding right-of-use assets under IFRS 16, came to €441.3 million, equivalent to 5.3% of the Group’s sales. It was therefore within the corridor forecast on November 11, 2021. Free cash flow, which ran at €113.3 million for 2021 as a whole, was also at the upper end of the published range at year end.

COMPARISON OF FISCAL 2021 AGAINST FORECAST

	Group				
	Sales (€ million)	Adjusted EBIT margin (as % of sales)	Negative special effects (€ million)	Capital expenditure (as % of sales)	Free cash flow (€ million)
Quarterly report as at November 11, 2021	8,200 – 8,400	1.5 – 1.7	160 – 190	5.2 – 5.5	70 – 120
2021 annual report	8,348.5	1.8	109.1	5.3	113.3

Order situation

The order situation at Vitesco Technologies became more positive again in fiscal 2021 on the back of the 2020 fiscal year that had been weakened by the fallout of the COVID-19 pandemic. In total, the three business units Electrification Technology, Electronic Controls, and Sensing & Actuation acquired orders that add up to roughly €11.2 billion of lifetime sales (i.e., during the lifetime of the supply arrangements). This includes orders received for approximately €5.1 billion of sales related to electrification business.

These lifetime sales are based primarily on assumptions regarding production volumes of the respective vehicle or engine platforms, the contractually agreed price developments, and the expected development of key raw-materials prices.

Outlook for fiscal 2022

As mentioned in the report on expected developments, Vitesco Technologies expects that the production of passenger cars and light commercial vehicles will recover in the 2022 fiscal year. The recovery will take place in our key markets as well as globally. This expectation is based on uncertainty which is described in detail in the Forecast of Developments in Global Vehicle Production section.

The outlook for the 2022 fiscal year takes into account the current expected impact of the ongoing COVID-19 pandemic on production volumes in 2022 as a whole. In particular, growth in the first half of 2022 will be limited due to the current shortage of chips. For the second half of the year, Vitesco Technologies anticipates that the supply situation will slowly begin to recover moderately. As a result, Vitesco Technologies also forecasts that its additional expenditure, incurred in particular for logistics as a result of the chip shortage, will remain at the previous year’s level in the first half of 2022. It presumes that the additional expenditure will gradually go away in step with the forecast improvement of the supply situation in the second half of 2022.

The current events transpiring in Ukraine cannot yet be quantified as Vitesco Technologies’ level of knowledge is insufficient and have therefore not been incorporated into this forecast. For example, the conflict could possibly lead to goods shortages, which would subsequently result in vehicle manufacturers adjusting their production levels at short notice. Such adjustments would be able to affect the expectations described below. Far-ranging consequences for the entire economy cannot be ruled out, either.

Based on all of the above assumptions as well as on the exchange rates at the beginning of the fiscal year, Vitesco Technologies expects the following key financial figures for fiscal 2022.

Considering the rising production numbers and the favorable trend toward electrification, Vitesco Technologies forecasts sales of €8.6 billion to €9.1 billion. These sales will be countered by an anticipated decline in sales in the Contract Manufacturing business unit and in Vitesco Technologies’ noncore technologies, such as injectors, high-pressure pumps, and turbochargers.

Vitesco Technologies assumes that its adjusted EBIT margin will be between 2.2% and 2.7%. This margin accounts for the additional expenditure currently expected for Vitesco Technologies due to the chip shortage and due to wage inflation and rising material costs.

Vitesco Technologies forecasts that negative special effects will lead to expenditure of roughly €100 million to €150 million in the 2022 fiscal year.

Capital expenditure, excluding right-of-use assets under IFRS 16, is estimated to comprise roughly 6% of sales in the 2022 fiscal year.

Vitesco Technologies plans to generate free cash flow of more than €50 million in the 2022 fiscal year.

Outlook for developments in business units in fiscal 2022

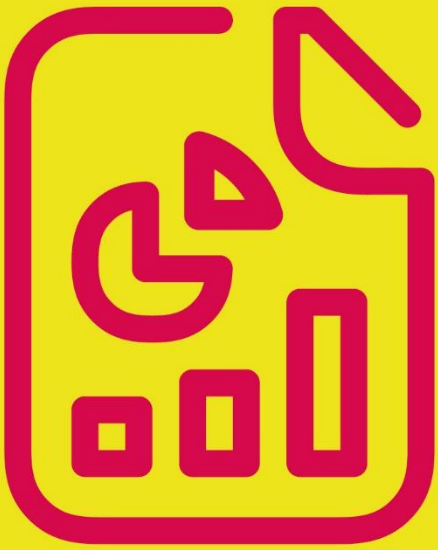
In its Electrification Technology business unit, Vitesco Technologies anticipates a significant year-on-year increase in sales in 2022 in light of the increasing electrification of the world’s vehicles. In terms of adjusted EBIT, the profitability of Electrification Technology is expected to increase significantly too over the coming fiscal year due to increasing economies of scale.

In its Electronic Controls business unit, Vitesco Technologies also expects a significant increase in sales in 2022. The predicted slight improvement in chip availability will have a large role in this, especially in the second half of the year. The improvement in sales and the planned operational improvement mean that a significant increase in the adjusted EBIT at Electronic Controls is expected for the 2022 fiscal year.

The predicted slight improvement in chip availability is also expected to result in a significant year-on-year sales increase in the Sensing & Actuation business unit in 2022. The greater utilization of production capacity and planned operational improvements will likely also lead to a significant increase in adjusted EBIT in 2022.

In its Contract Manufacturing business unit, Vitesco Technologies expects a significant year-on-year decline in sales in 2022 as the progressive phase-out of this business unit will continue steadily. Similarly, the adjusted EBIT for Contract Manufacturing is also expected to see a significant decline.

With regard to sales, any mention of remaining “at the previous year’s level” refers to a change between –1% and +1%. References to a “slight” change indicate a change between 1% and 5% year on year, while a “significant” change represents a development of an extent greater than 5%. In relation to adjusted EBIT, any mention of remaining “at the previous year’s level” refers to a change between –1% and +1%. References to a “slight” change indicate a change between 1% and 10% year on year, while a “significant” change represents a development of an extent greater than 10%. If there is a negative change of more than 1%, this is referred to as a “decline”; if there is a positive change of more than 1%, this is referred to as an “increase.”



CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF THE EXECUTIVE BOARD

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

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

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, Germany, was engaged as the auditor for fiscal 2021 at the Annual General Meeting of Vitesco Technologies Group AG. The audit engagement was officialized by the Supervisory Board/Audit Committee of the Supervisory Board. KPMG audited the consolidated financial statements prepared in accordance with IFRS and the management report for the Company and Group. The auditor will issue the independent auditor's opinion.

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

Regensburg, March 7, 2022

Andreas Wolf Werner Volz Ingo Holstein Klaus Hau Thomas Stierle

The Executive Board

INDEPENDENT AUDITOR’S REPORT

To Vitesco Technologies Group AG, Regensburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of Vitesco Technologies Group AG, Regensburg, and its subsidiaries (the “Group” or “Vitesco Group”), which comprise the consolidated statement of financial position as at December 31, 2021, consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Vitesco Technologies Group AG and the Group (hereinafter: the “combined management report”) for the financial year from January 1 to December 31, 2021.

In accordance with German legal requirements we have not audited the content of those components of the combined management report specified in the “Other Information” section of our auditor’s report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial positions of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and
- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the “Other Information” section of the auditor’s report.

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

Basis for the Opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of goodwill

Please refer to the goodwill and write-downs chapters in the notes to the consolidated financial statements for information about the accounting policies applied and the assumptions made. Details about the amount of goodwill can be found in the notes to the consolidated financial statements in chapter 14. Goodwill and Other Intangible Assets.

THE FINANCIAL STATEMENT RISK

As at December 31, 2021, goodwill totalled EUR 803.0 million, thereby having a significant impact on net assets at 30% of the Group's equity.

Goodwill is tested for impairment annually at the level of the cash-generating units regardless of indicators. If impairment triggers arise at the end of a quarterly reporting period, an event-driven impairment test is performed for the relevant quarterly reporting date. For the goodwill impairment test, the carrying amount is compared with the recoverable amount of the respective operating segment. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of the fair value less costs to sell and value in use of the operating segment.

Impairment testing of goodwill is complex and based on a range of assumptions that require judgement. These include the expected business and earnings performance of the operating segments, the assumed long-term growth rates and the discount rate used.

As a result of the IPO of Vitesco Technologies Group AG (the "Vitesco Group"), the quarterly reporting date of September 30, 2021 was the first time that the Vitesco Group had market capitalization. This market capitalization was significantly less than the net assets of the Vitesco Group as at the end of the quarterly reporting period. Because of this deviation as at September 30, 2021, event-based impairment testing was carried out for goodwill in all operating segments. The impairment testing performed did not result in Vitesco Technologies Group AG needing to recognize any impairment.

No additional impairment loss was identified during the annual impairment testing either.

There is a risk for the consolidated financial statements that impairment requiring recognition as of the end of a reporting period goes undetected. There is also a risk that the associated disclosures in the notes to the consolidated financial statements are not proper.

OUR AUDIT APPROACH

With the involvement of our valuation experts, we also assessed the appropriateness of significant assumption as well as the Company’s measurement model for the event-based as well as annual impairment testing. To this end, we discussed the expected business and earnings development as well as the assumed long-term growth rates with those responsible for the planning. Moreover, we carried out a consistency check of the expected cash flows against the planning created by the Executive Board and the budget approved by the Supervisory Board for the next year. We additionally assessed the consistency of the assumptions with external market forecasts.

Furthermore, we examined accuracy of the Company’s previous forecasts by comparing the budgets of previous financial years for the former Powertain business area at Continental AG with actual earnings and by analysing deviations.

In order to assess the methodologically and mathematically appropriate implementation of the valuation method, we have traced the valuation carried out by the company on the basis of our own calculations and analysed deviations. We compared the assumptions and data underlying the discount rate, especially the risk-free rate, the market risk premium, and beta coefficient, with our own assumptions and publicly available data. In order to take the existing forecast uncertainty into account, we examined the impact of potential changes in the revenue, the discount rate, and the EBIT margin on the recoverable amount by calculating alternative scenarios and comparing these with the Company’s measurements (a sensitivity analysis).

We also studied and applied due criticism to the explanation given by the Company’s officers as to why the sum of the recoverable amounts was higher than the market capitalization of the parent company.

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill are appropriate.

OUR OBSERVATIONS

The measurement model underpinning the event-driven and annual impairment testing of goodwill is proper and consistent with the applicable measurement principles. The assumptions and data from the Company’s officers that underpin the measurement are appropriate. The associated disclosures in the notes to the consolidated financial statements are appropriate.

Impairment of property, plant, and equipment

Please refer to the property, plant and equipment chapter in the notes for information about the accounting policies applied. Details about the amount of reversals of impairment losses on property, plant and equipment can be found in the notes in chapter 8. Other Income and Expenses.

THE FINANCIAL STATEMENT RISK

As at 31 December, 2021, property, plant and equipment amounted to EUR 2,544.9 million.

In previous years, impairment had been recognized on property, plant and equipment in the High-Voltage Power Applications cash-generating unit.

If there are indicators of previously recognized impairment no longer being applicable or actually being less than the amount recognized, the Company calculates the recoverable amount as at the end of the reporting period and compares it with the relevant carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the carrying amount is less than the recoverable amount, a reversal is recognized. Any reversal of an impairment loss is limited to the carrying amount that would normally exist when accounting for depreciation. The recoverable amount is calculated regularly at a cash-generating-unit level.

Impairment testing of property, plant and equipment is complex and based on a range of assumptions that require judgement. This is particularly the case for estimated future cash flows, the discount rates used as well as the assessment of whether there are indications that a previously recognised impairment loss is no longer required in part or in its entirety.

The Executive Board anticipates positive business development in the High-Voltage Power Applications cash-generating unit in the next few years and this development is reflected in the strategic planning. Accordingly, there was an indicator that impairment that had been found in previous periods now no longer exists or has lessened. Consequently, a €121.7 million reversal of impairment losses was recognized in fiscal 2021 for property, plant and equipment in the High-Voltage Power Applications cash-generating unit within the Electrification Technology segment. The reversal was made for the individual assets up to an amount no more than their depreciated cost at the time of the impairment test.

There is a risk for the consolidated financial statements that any reversal of impairment losses is not appropriate, and that property, plant and equipment therefore is impaired.

OUR AUDIT APPROACH

With the involvement of our valuation experts, we assessed the computational accuracy and IFRS compliance of the Company’s valuation model and the appropriateness of significant assumptions made therein.

To this end, we discussed the expected business and earnings development as well as the assumed long-term growth rates with those responsible for the planning. Moreover, we carried out a consistency check of the expected payment flows against the planning created by the Executive Board and the budget approved by the Supervisory Board for the next year.

Furthermore, we examined the accuracy of the Company’s previous forecasts by comparing the budgets of previous financial years for the former Powertain business area at Continental AG with actual earnings realised and by analysing deviations.

In order to assess the methodologically and mathematically appropriate implementation of the valuation method, we have traced the valuation carried out by the company on the basis of our own calculations and analysed deviations. We compared the assumptions and data underlying the discount rate – in particular the risk-free rate, the market risk premium and the beta coefficient – with own assumptions and publicly available data. In order to take account of forecast uncertainty, we also assessed the impact of reasonably possible changes in the revenue, the discount rate, and the EBIT margin on the recoverable amount by calculating alternative scenarios and comparing these with the Company’s measurements (a sensitivity analysis).

We investigated if the carrying amount after reversals of impairment exceeded the depreciated cost of the property, plant and equipment.

OUR OBSERVATIONS

The valuation method used for impairment testing of property, plant and equipment is consistent with the accounting policies. The assumptions and data used by the Company are appropriate.

Measurement of miscellaneous financial liabilities for indemnification obligations to Continental AG in connection with the Group-separation agreement

Please refer to the financial liabilities sections in the notes to the consolidated financial statements for information about the accounting policies applied and the assumptions used. Information about the amount of the financial liability for indemnification obligations to Continental AG in connection with the Group-separation agreement can be found in the notes to the consolidated financial statements in chapter 32. Other Financial Liabilities.

THE FINANCIAL STATEMENT RISK

Vitesco Technologies Group AG had, as at December 31, 2021, recognized a financial liability of €71.5 million in its consolidated financial statements for potential indemnification obligations to Continental AG in connection with the Group-separation agreement. The basis for this is an arrangement made between the Vitesco Group and Continental AG as part of the spin-off. The provisions of the Group-separation agreement place an obligation on the Vitesco Group to indemnify companies in the Continental Group for costs and liabilities attributable to the business units that were transferred to the Vitesco Group. These costs and liabilities can include fines and other expenses, especially legal expenses. The Executive Board of the Vitesco Group believes that it is likely that Continental AG will utilize the relevant provisions in the amount recognized as a liability. This belief is based on an evaluation of the current status of the investigations against Continental AG by the Hanover and Frankfurt am Main district attorneys in connection with the alleged usage of illegal defeat devices in diesel engines.

The financial liability was measured at amortized cost and is underpinned by the Executive Board’s discretion-based assessments.

There is a risk for the consolidated financial statements that the financial liability recognized is of an insufficient amount.

OUR AUDIT APPROACH

To audit the financial liability for potential indemnification obligations to Continental AG in connection with the Group-separation agreement, we questioned a number of individuals including the Executive Board and the points of contact for Corporate Accounting, Corporate Compliance, and Corporate Legal. In addition, we obtained information from the lawyers who work for the Vitesco Group and appraised the documents and records underlying that information.

OUR OBSERVATIONS

The assumptions of the Company’s officers are appropriate.

Other information

Executive board respectively supervisory board are responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the combined non-financial statement, included in the “Sustainability and Combined Non-financial Statement” section of the combined management report and
- the corporate-governance statement, which is referred to in the section of the same name in the combined management report

The other information additionally includes the remaining parts of the annual report.

The other Information does not include the consolidated financial statements, the combined management report information audited for content and our auditor’s report thereon.

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Board and Supervisory Board for the consolidated financial statements and combined management report

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

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

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

The Supervisory Board is responsible for overseeing the Group's financial-reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

> Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reason-able assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, entitled "vitesco-2021-12-31-de.zip" (SHA256 hash value: 0011e3298f78ec118ea8a476e2d4c2889403d94fbf560aff28171af06deee313), and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Manage-ment Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accord-ance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: As-surance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The company’s management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company’s management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The company’s management is also responsible for the submission of the ESEF documents together with the auditor’s report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

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

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor of the consolidated financial statements by the annual general meeting on June 10, 2021. We were engaged by the Chairman of the Supervisory Board on July 16, 2021. We have been the group auditor of the Vitesco Technologies Group AG based on its status as a market-oriented company following its IPO in 2021.

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

Other matter – Use of the Auditor's Report

Our auditor's report should always be read in connection with the audited consolidated financial statements, audited combined management report as well as the audited ESEF documents. The ESEF versions of the consolidated financial statements and combined management report - including the versions to be published in the German Federal Gazette [Bundesanzeiger] - are merely electronic reproductions of the audited consolidated financial statements and audited combined management report and do not replace these. In particular, the ESEF assurance report and our assurance conclusion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Angelika Huber-Straßer.

Munich, March 10, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Huber-Straßer German Public Auditor	Zimmermann German Public Auditor

CONSOLIDATED STATEMENT OF INCOME

€ million	Chapter	2021	2020
Revenue	6	**8,348.5**	**8,027.7**
Cost of sales		–7,228.1	–6,971.8
Gross profit		**1,120.4**	**1,055.9**
Research and development costs	7	–1,031.8	–1,001.3
Distribution and logistics costs		–143.6	–156.2
General administrative costs		–213.6	–258.0
Other income	8	809.3	538.7
Other expenses	8	–502.3	–504.4
Income from equity-accounted investees	10	1.1	1.0
EBIT		**39.5**	**–324.3**
Interest income	11	16.6	20.6
Interest expense	11	–28.1	–33.7
Effects from currency translation	11	13.7	–14.8
Effects from changes in the fair value of derivative instruments, and other measurement effects	11	–8.1	0.9
Finance income	11	**–5.9**	**–27.0**
Earnings before tax		**33.6**	**–351.3**
Income tax	12	–155.6	–11.9
Net income		**–122.0**	**–363.2**
Net income attributable to noncontrolling interests		–	–13.5
Net income attributable to the shareholders of the parent		–122.0	–376.7
Basic earnings per share in €	38	**–3.05**	**n. a.**
Diluted earnings per share in €	38	**–3.05**	**n. a.**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	2021	2020
Net income	**–122.0**	**–363.2**
Items that will not be reclassified to profit or loss		
Remeasurement of defined-benefit plans[1]	113.0	–71.2
Fair-value adjustments[1]	113.7	–72.6
Currency translation[1]	–0.7	1.4
Other investments	0.2	6.4
Tax on other comprehensive income	–3.7	–94.0
Items that may be reclassified subsequently to profit or loss		
Currency translation[1]	173.2	–112.4
Other comprehensive income	**282.7**	**–271.2**
Comprehensive income	**160.7**	**–634.4**
Attributable to noncontrolling interests	–	–14.2
Attributable to the shareholders of the parent	160.7	–648.6

1) Including noncontrolling interests.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

€ million	Chapter	**December 31, 2021**	December 31, 2020
Goodwill	14	803.0	785.2
Other intangible assets	14	173.5	164.5
Property, plant, and equipment	15, 16	2,544.9	2,458.0
Investments in equity-accounted investees	17	16.9	15.9
Other investments	18	23.8	15.2
Deferred tax assets	19	269.3	266.0
Defined-benefit assets	26	6.3	3.8
Noncurrent derivative instruments and interest-bearing investments	31	14.4	11.2
Other noncurrent financial assets	20	18.7	7.0
Other noncurrent assets	21	8.3	5.8
Noncurrent assets		**3,879.1**	**3,732.6**
Inventories	22	805.7	561.8
Trade receivables	23	1,518.9	1,983.6
Current contract assets	6	1.2	11.0
Other current financial assets	20	63.6	65.6
Other current assets	21	470.0	403.8
Income-tax receivables		29.1	14.3
Current derivative instruments and interest-bearing investments	31	26.5	1,034.0
Cash and cash equivalents	24	614.0	255.0
Current assets		**3,529.0**	**4,329.1**
Total assets		**7,408.1**	**8,061.7**

EQUITY AND LIABILITIES

€ million	Chapter	**December 31, 2021**	December 31, 2020
Subscribed capital	25	100.1	–
Capital reserves	25	3,504.7	–
Retained earnings	25	–791.2	–
Invested equity attributable to Continental		–	3,056.6
Accumulated other comprehensive income	25	–125.3	–408.0
Equity attributable to the shareholders of the parent		**2,688.3**	**2,648.6**
Noncontrolling interests		–	–
Equity	25	**2,688.3**	**2,648.6**
Long-term employee benefits	26	866.4	923.6
Deferred tax liabilities	19	57.0	36.8
Noncurrent provisions for other risks and obligations	28	273.1	339.9
Long-term debt	30	199.1	181.3
Other noncurrent financial liabilities	32	7.3	–
Noncurrent contract liabilities	6	5.9	–
Other noncurrent liabilities	34	93.6	9.3
Noncurrent liabilities		**1,502.4**	**1,490.9**
Short-term employee benefits	26	244.1	209.6
Trade payables	33	1,958.2	2,215.5
Current contract liabilities	6	54.5	98.1
Income-tax payables	29	83.2	86.8
Current provisions for other risks and obligations	28	504.5	440.0
Short-term debt	30	69.8	688.9
Other current financial liabilities	32	205.1	106.0
Other current liabilities	34	98.0	77.3
Current liabilities		**3,217.4**	**3,922.2**
Total assets		**7,408.1**	**8,061.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	Chapter	2021	2020
Net income		**–122.0**	**–363.2**
Income tax	12	155.6	11.9
Finance income	11	5.9	27.0
EBIT		**39.5**	**–324.3**
Interest paid		–37.1	–19.4
Interest received		13.6	17.3
Income tax paid	12, 29	–151.2	–171.0
Depreciation, amortization, impairment, and reversal of impairment losses	8, 14, 15, 16	484.4	577.2
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	10, 17	–1.1	–1.0
Gains/losses from the disposal of assets, companies, and business operations		–75.3	–11.4
Changes in			
Inventories	22	–221.6	33.6
Trade receivables	23	554.4	–548.0
Trade payables	33	–340.6	335.1
Employee benefits and other provisions	26, 28	52.0	149.0
Other assets and liabilities		101.9	–43.0
Cash flow arising from operating activities		**418.9**	**–5.9**
Cash flow from the disposal of assets	14, 15	71.2	31.3
Capital expenditure on property, plant, and equipment and software	14, 15	–441.3	–428.4
Capital expenditure on intangible assets from development projects and miscellaneous	14	–31.0	–35.4
Cash flow from the disposal of companies and business operations	5	104.1	10.5
Acquisition of companies and business operations	5, 18	–8.6	–27.8
Cash flow arising from investing activities		**–305.6**	**–449.8**
Cash flow before financing activities (free cash flow)		**113.3**	**–455.7**
Cash change in short-term debt	30	86.3	–10.4
Cash change in long-term debt	30	–18.6	–
Other cash changes		–132.1	4.8
Successive purchases	5, 25	–121.0	–121.6
Financial transactions with the Continental Group	41	410.6	668.2
Dividends paid to and cash changes from equity transactions with noncontrolling interests		–	–3.3
Cash flow arising from financing activities		**225.2**	**537.7**
Change in cash and cash equivalents		**338.5**	**82.0**
Cash and cash equivalents as at Jan. 1		255.0	184.8
Effect of exchange-rate changes on cash and cash equivalents		20.5	–11.8
Cash and cash equivalents as at Dec. 31	24	**614.0**	**255.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million	Subscribed capita[1]	Capital reserves	Retained earnings	Invested equity attributable to Continental	Difference on			Equity attributable to shareholders	Non-controlling interests	Total
					Remeasurement of defined-benefit retirement plans	Currency translation	Financial instruments			
As at Jan. 1, 2020	**–**	**–**	**–**	**3,256.4**	**–243.2**	**108.7**	**0.1**	**3,122.0**	**56.9**	**3,178.9**
Net income	–	–	–	–376.7	–	–	–	–376.7	13.5	**–363.2**
Other comprehensive income	–	–	–	–	–165.9	–112.4	6.4	–271.9	0.7	**–271.2**
Comprehensive income	**–**	**–**	**–**	**–376.7**	**–165.9**	**–112.4**	**6.4**	**–648.6**	**14.2**	**–634.4**
Dividend paid	–	–	–	–	–	–	–	–	–3.3	**–3.3**
Successive purchases	–	–	–	–54.7	–1.7	–	–	–56.4	–67.8	**–124.2**
Other changes[2]	–	–	–	231.6	–	–	–	231.6	–	**231.6**
As at Dec. 31, 2020	**–**	**–**	**–**	**3,056.6**	**–410.8**	**–3.7**	**6.5**	**2,648.6**	**–**	**2,648.6**
As at Jan. 1, 2021 (as previously reported)	**–**	**–**	**–**	**3,056.6**	**–410.8**	**–3.7**	**6.5**	**2,648.6**	**–**	**2,648.6**
Breakdown of net assets according to legal structure	100.1	4,555.2	–1,598.7	–3,056.6	–	–	–	**–**	–	**–**
Net income	–	–	–122.0	–	–	–	–	–122.0	–	**–122.0**
Other comprehensive income	–	–	–	–	109.5	173.2	–	282.7	–	**282.7**
Comprehensive income	**–**	**–**	**–122.0**	**–**	**109.5**	**173.2**	**–**	**160.7**	**–**	**160.7**
Dividend paid/decided	–	–	–	–	–	–	–	–	–	**–**
Successive purchases	–	–	–121.0	–	–	–	–	–121.0	–	**–121.0**
Other changes[3]	–	–1,050.5	1,050.5	–	–	–	–	–	–	**–**
As at Dec. 31, 2021	**100.1**	**3,504.7**	**–791.2**	**0.0**	**–301.3**	**169.5**	**6.5**	**2,688.3**	**–**	**2,688.3**

1) Divided into 40,021,196 shares outstanding.
2) Other changes are the result of contributions and withdrawals for the carve-out financial statements.
3) Withdrawal from capital reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

Notes to segment reporting

In accordance with the provisions of IFRS 8 Operating Segments, the segment reporting of Vitesco Technologies Group AG is based on the management approach in relation to segment identification. According to this approach, the information that is regularly provided to the chief operating decision maker for decision-making purposes is considered decisive.

Certain products have a similar nature and have been combined as segments. This can mainly be seen in product requirements, market trends, customer categories, and distribution channels.

The activities of the Vitesco Technologies Group are divided into the following segments:

Electrification Technology concentrates on the electrification of drivetrains. It offers technologies and products for hybrids, plug-in hybrids, and battery-electric vehicles as well as 48-volt mild hybrids.

Electronic Controls concentrates on technologies, products, and services that ensure the efficiency, performance, and comfort of drivetrains. It offers products and services for vehicles with combustion engines, hybrid vehicles, and electric vehicles in the passenger-car, commercial-vehicle, and two-wheeled markets.

Sensing & Actuation focuses on technologies and products related to precision sensor control and actuation in the drivetrain. It offers a broad product portfolio for combustion engines, hybrid technology, and electrification of the entire drivetrain.

Contract Manufacturing is a byproduct of the spin-off of the Powertrain business area from the Continental Group and transfer to the Vitesco Technologies Group. It covers the business relationship between the Vitesco Technologies Group and the Continental Group for certain products within the Continental Group’s business that are manufactured at sites belonging to the Vitesco Technologies Group.

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

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

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

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

Noncash expenses/income mainly include the changes in pension provisions – except for contributions to or withdrawals from the associated funds – and the profit or loss from impairment and reversal of impairment losses on the value of equity-accounted investees.

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

During the 2021 fiscal year, sales were made with two customers across the Electrification Technology, Electronic Controls, and Sensing & Actuation segments that were in both cases greater than 10%; €1,126.9 million (previous year: €1,239.1 million) and €868.3 million (previous year: €876.6 million). Moreover, there was a further customer in 2021 with which sales of €771.3 million (previous year: €703.5 million) were made, which in the previous year represented more than 10% of total sales. Please refer to chapter 41 (Transactions with Related Parties) for information regarding sales to the Continental Group that have been identified as transactions with related parties.

In fiscal 2021, 17.9% (previous year: 19.5%) of sales were made in China, 17.6% (previous year: 18.1%) in the US, and 16.1% (previous year: 17.2%) in Germany. Beyond that, there were no other countries in which more than 10% of sales were made, which was also the case in previous years.

SEGMENT REPORTING 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
External sales	586.4	3,531.9	3,180.8	1,049.3	0.1	8,348.5
Intercompany sales	0.7	4.0	36.4	0.7	–41.8	–
Sales (total)	**587.1**	**3,535.9**	**3,217.2**	**1,050.0**	**–41.7**	**8,348.5**
EBIT (segment result)	–233.7	63.8	236.5	103.7	–130.8	39.5
As % of sales	–39.8	1.8	7.4	9.9	–	0.5
Of which income from equity-accounted investees	–	1.3	–0.3	–	0.1	1.1
Capital expenditure[1]	135.6	271.3	182.8	9.7	0.1	599.5
As % of sales	23.1	7.7	5.7	0.9	–	7.2
Depreciation, amortization, and impairment[2]	–32.5	275.6	186.4	54.8	0.1	484.4
Of which impairment[3]	–57.2	18.1	10.7	–	0.0	–28.4
Internally generated intangible assets	–	28.5	–	–	–	28.5
Significant noncash expenses/income	–5.5	–10.6	–6.2	0.2	–6.9	–29.0
Segment assets	612.3	2,844.6	2,162.6	411.7	4.3	6,035.5
Of which investments in equity-accounted investees	–	5.9	11.0	–	–0.0	16.9
Segment liabilities	367.1	1,551.4	1,183.9	277.7	87.9	3,468.0
Operating assets (as at Dec. 31)	245.2	1,293.2	978.7	134.0	–83.5	2,567.6
Operating assets (average)	36.8	1,191.1	1,050.1	228.2	–57.5	2,448.7
ROCE as a %	–635.1	5.4	22.5	45.4	–	1.6
Number of employees (as at Dec. 31)[4]	4,025	15,685	15,004	2,759	15	37,488
Adjusted sales[5]	587.1	3,535.9	3,217.2	1,050.0	–41.7	8,348.5
Adjusted EBIT[6]	–273.0	117.2	269.2	42.7	–7.5	148.6
As % of adjusted sales	–46.5	3.3	8.4	4.1	–	1.8

1) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
2) Excluding impairment of investments.
3) Impairment also includes necessary reversal of impairment losses.
4) Excluding apprentices/trainees.
5) Adjusted for changes in the scope of consolidation.
6) Adjusted for amortization of intangible assets from purchase-price allocation, changes in the scope of consolidation, and special effects.

SEGMENT REPORTING FOR 2020

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
External sales	405.9	3,632.1	2,891.2	1,098.5	–	8,027.7
Intercompany sales	–	4.7	26.0	0.8	–31.5	–
Sales (total)	**405.9**	**3,636.8**	**2,917.2**	**1,099.3**	**–31.5**	**8,027.7**
EBIT (segment result)	–400.9	–26.6	45.8	53.0	4.4	–324.3
As % of sales	–98.8	–0.7	1.6	4.8	–	–4.0
Of which income from equity-accounted investees	–	1.4	–0.4	–	–	1.0
Capital expenditure[1]	121.5	174.5	164.3	19.6	0.1	480.0
As % of sales	29.9	4.8	5.6	1.8	–	6.0
Depreciation, amortization, and impairment[2]	74.1	258.6	182.4	62.1	–	577.2
Of which impairment[3]	51.6	9.0	15.7	0.3	0.1	76.7
Internally generated intangible assets	–	35.0	0.4	–	–	35.4
Significant noncash expenses/income	–8.5	–26.3	–15.6	–1.4	–19.3	–71.1
Segment assets	422.6	3,054.1	2,107.1	534.0	39.3	6,157.1
Of which investments in equity-accounted investees	–	4.6	11.3	–	–	15.9
Segment liabilities	355.0	1,808.4	1,074.4	255.0	28.8	3,521.6
Operating assets (as at Dec. 31)	67.6	1,245.7	1,032.7	279.0	10.5	2,635.5
Operating assets (average)	132.1	1,291.8	1,173.5	249.6	–38.9	2,808.1
ROCE as a %	–303.5	–2.1	3.9	21.2	–	–11.5
Number of employees (as at Dec. 31)[4]	3,495	16,686	16,419	3,890	–	40,490
Adjusted sales[5]	405.9	3,636.8	2,906.1	1,099.3	–31.5	8,016.6
Adjusted EBIT[6]	–345.7	85.6	107.7	53.5	4.4	–94.5
As % of adjusted sales	–85.2	2.4	3.7	4.9	–	–1.2

1) Capital expenditure on property, plant, and equipment and software, including IFRS 16 Leases.
2) Excluding impairment of investments.
3) Impairment also includes necessary reversal of impairment losses.
4) Excluding apprentices/trainees.
5) Adjusted for changes in the scope of consolidation.
6) Adjusted for amortization of intangible assets from purchase-price allocation, changes in the scope of consolidation, and special effects.

RECONCILIATION OF SALES WITH ADJUSTED SALES AND OF EBITDA WITH ADJUSTED EBIT IN 2020 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
Sales	**587.1**	**3,535.9**	**3,217.2**	**1,050.0**	**–41.7**	**8,348.5**
Changes in the scope of consolidation[1]	–	–	–	–	–	–
Adjusted sales	**587.1**	**3,535.9**	**3,217.2**	**1,050.0**	**–41.7**	**8,348.5**
EBITDA	**–266.2**	**339.4**	**422.9**	**158.5**	**–130.7**	**523.9**
Depreciation, amortization, and impairment[2]	32.5	–275.6	–186.4	–54.8	–0.1	–484.4
EBIT	**–233.7**	**63.8**	**236.5**	**103.7**	**–130.8**	**39.5**
Amortization of intangible assets from purchase-price allocation (PPA)	–	1.1	1.6	–	–	2.7
Changes in the scope of consolidation[1]	–	–	–	–	–	–
Special effects						
Impairment on goodwill	–	–	–	–	–	–
Impairment[3]	–56.8	10.2	10.9	–	–	–35.7
Restructuring[4]	–0.4	–5.9	–1.7	–	–	–8.0
Restructuring-related expenses	–	11.8	0.7	–	–	12.5
Severance payments	1.1	4.4	2.3	–	–	7.8
Gains and losses from disposals of companies and business operations	–	–	–5.4	–61.0	–	–66.4
Spin-off costs	5.8	27.7	23.2	–	39.5	96.2
Expenses from obligations associated with defeat devices	–	–	–	–	80.0	80.0
Other[5]	11.0	4.1	1.1	–	3.8	20.0
Adjusted EBIT	**–273.0**	**117.2**	**269.2**	**42.7**	**–7.5**	**148.6**

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 reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
4) This included impairment and reversal of impairment losses on property, plant, and equipment worth €7.3 million (reversals: Electrification Technology €0.4 million and Sensing & Actuation €0.2 million, impairment: Electronic Controls €7.9 million).
5) “Other” includes expenses incurred from the takeover of parts of production from Continental.

RECONCILIATION OF SALES WITH ADJUSTED SALES AND OF EBITDA WITH ADJUSTED EBIT IN 2020

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
Sales	**405.9**	**3,636.8**	**2,917.2**	**1,099.3**	**–31.5**	**8,027.7**
Changes in the scope of consolidation[1]	–	–	–11.1	–	–	–11.1
Adjusted sales	**405.9**	**3,636.8**	**2,906.1**	**1,099.3**	**–31.5**	**8,016.6**
EBITDA	**–326.8**	**232.0**	**228.2**	**115.1**	**4.4**	**252.9**
Depreciation, amortization, and impairment[2]	–74.1	–258.6	–182.4	–62.1	–	–577.2
EBIT	**–400.9**	**–26.6**	**45.8**	**53.0**	**4.4**	**–324.3**
Amortization of intangible assets from purchase-price allocation (PPA)	–	4.6	4.5	–	–	9.1
Changes in the scope of consolidation[1]	–	–	–2.6	–	–	–2.6
Special effects						
Impairment on goodwill	–	–	–	–	–	–
Impairment[3]	54.0	3.2	12.2	0.3	–	69.7
Restructuring[4]	–3.0	60.0	30.3	–	–	87.3
Restructuring-related expenses	–	10.3	0.1	–	–	10.4
Severance payments	1.4	6.6	3.9	0.2	–	12.1
Gains and losses from disposals of companies and business operations	–	–	–8.8	–	–	–8.8
Spin-off costs	2.8	27.5	22.3	–	–	52.6
Expenses from obligations associated with defeat devices	–	–	–	–	–	–
Other	–	–	–	–	–	–
Adjusted EBIT	**–345.7**	**85.6**	**107.7**	**53.5**	**4.4**	**–94.5**

1) Changes in the scope of consolidation include additions and disposals as part of share and asset deals. Adjustments were made for additions in the reporting year and for disposals in the comparative period of the prior year.
2) Excluding impairment on financial investments.
3) Impairment also includes necessary reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
4) This included impairment and reversal of impairment losses on property, plant, and equipment worth €7.0 million (reversals: Electrification Technology €2.4 million, impairment: Electronic Controls €5.9 million and Sensing & Actuation €3.5 million).

RECONCILIATION OF EBIT AND NET INCOME

€ million	**2021**	2020
Electrification Technology	–233.7	–400.9
Electronic Controls	63.8	–26.6
Sensing & Actuation	236.5	45.8
Contract Manufacturing	103.7	53.0
Other/holding company/consolidation	–130.8	4.4
EBIT	**39.5**	**–324.3**
Finance income	–5.9	–27.0
Earnings before tax	**33.6**	**–351.3**
Income tax	–155.6	–11.9
Net income	**–122.0**	**–363.2**
Net income attributable to noncontrolling interests	–	–13.5
Net income attributable to the shareholders of the parent	**–122.0**	**–376.7**

RECONCILIATION WITH OPERATING ASSETS IN 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
Total assets	**614.6**	**2,886.9**	**2,173.7**	**412.8**	**1,320.1**	**7,408.1**
Cash and cash equivalents	–	–	–	–	614.0	614.0
Current and noncurrent derivative instruments, interest-bearing investments	–	–	–	–	40.9	40.9
Further financial assets	2.0	38.6	9.3	0.5	–	50.4
Less financial assets	**2.0**	**38.6**	**9.3**	**0.5**	**654.9**	**705.3**
Less other nonoperating assets	**0.3**	**3.7**	**1.8**	**0.6**	**362.4**	**368.8**
Deferred tax assets	–	–	–	–	269.3	269.3
Income-tax receivables	–	–	–	–	29.1	29.1
Less income-tax assets	**–**	**–**	**–**	**–**	**298.4**	**298.4**
Segment assets	**612.3**	**2,844.6**	**2,162.6**	**411.7**	**4.4**	**6,035.6**
Total liabilities and provisions	**456.2**	**1,933.9**	**1,491.4**	**280.5**	**557.9**	**4,719.9**
Short-term and long-term debt	–	–	–	–	268.9	268.9
Payable interest and further financial liabilities	–	–	–	–	–	–
Less financial liabilities	**–**	**–**	**–**	**–**	**268.9**	**268.9**
Deferred tax liabilities	–	–	–	–	57.0	57.0
Income-tax payables	–	–	–	–	83.2	83.2
Less income-tax liabilities	**–**	**–**	**–**	**–**	**140.2**	**140.2**
Less other nonoperating liabilities	**89.1**	**382.5**	**307.5**	**2.8**	**60.9**	**842.8**
Segment liabilities	**367.1**	**1,551.4**	**1,183.9**	**277.7**	**87.9**	**3,468.0**
Operating assets	**245.2**	**1,293.2**	**978.7**	**134.0**	**–83.5**	**2,567.6**

RECONCILIATION WITH OPERATING ASSETS IN 2020

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
Total assets	**422.9**	**3,075.2**	**2,116.9**	**534.8**	**1,911.9**	**8,061.7**
Cash and cash equivalents	–	–	–	–	255.0	255.0
Current and noncurrent derivative instruments, interest-bearing investments	–	–	–	–	1,045.2	1,045.2
Further financial assets	0.3	19.5	8.1	0.4	0.9	29.2
Less financial assets	**0.3**	**19.5**	**8.1**	**0.4**	**1,301.1**	**1,329.4**
Less other nonoperating assets	**–0.0**	**1.6**	**1.7**	**0.4**	**291.2**	**294.9**
Deferred tax assets	–	–	–	–	266.0	266.0
Income-tax receivables	–	–	–	–	14.3	14.3
Less income-tax assets	**–**	**–**	**–**	**–**	**280.3**	**280.3**
Segment assets	**422.6**	**3,054.1**	**2,107.1**	**534.0**	**39.3**	**6,157.1**
Total liabilities and provisions	**451.1**	**2,225.1**	**1,412.3**	**258.8**	**1,065.8**	**5,413.1**
Short-term and long-term debt	–	–	–	–	870.2	870.2
Payable interest and further financial liabilities	–	–	–	–	2.2	2.2
Less financial liabilities	**–**	**–**	**–**	**–**	**872.4**	**872.4**
Deferred tax liabilities	–	–	–	–	36.8	36.8
Income-tax payables	–	–	–	–	86.8	86.8
Less income-tax liabilities	**–**	**–**	**–**	**–**	**123.6**	**123.6**
Less other nonoperating liabilities	**96.1**	**416.7**	**337.9**	**3.8**	**41.0**	**895.5**
Segment liabilities	**355.0**	**1,808.4**	**1,074.4**	**255.0**	**28.8**	**3,521.6**
Operating assets	**67.6**	**1,245.7**	**1,032.7**	**279.0**	**10.5**	**2,635.5**

2. GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

Vitesco Technologies Group AG, based in Regensburg, Siemensstrasse 12, Germany, is the parent company of the Vitesco Technologies Group and a publicly listed joint-stock company. It is entered in the commercial register of the Regensburg local court (Amtsgericht) under HRB 18842. Vitesco Technologies Group AG is a supplier to the automotive industry, with worldwide operations. The areas of business and main activities in which Vitesco Technologies Group AG is engaged are described in more detail in chapter 1 (Segment Reporting). The consolidated financial statements of Vitesco Technologies Group AG for fiscal 2021 were prepared by a resolution of the Executive Board on March 7, 2022, and will be submitted to and published in the German Federal Gazette. Vitesco Technologies Group AG is included in the consolidated financial statements of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, Germany, which are published in the German Federal Gazette.

The consolidated financial statements of Vitesco Technologies Group AG as at December 31, 2021, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, pursuant to EU Regulation (EC) No. 1606/2002 in conjunction with HGB § 315e(1). The term IFRS also includes the International Accounting Standards (IAS), the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC) or its predecessor the International Financial Reporting Interpretations Committee (IFRIC), and those of the former Standing Interpretations Committee (SIC). All International Financial Reporting Standards mandatory for fiscal 2021 have been applied, subject to endorsement by the European Union.

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

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

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

Effects of the COVID-19 pandemic on accounting in the reporting period

As a result of the COVID-19 pandemic, fiscal 2021 was subject to many uncertainties with respect to the economic environment. It is not currently possible to predict the long-term economic consequences of the COVID-19 pandemic and the stabilization measures that have been introduced. On the basis of the information available, a continuous review was carried out in the year under review to identify any need for adjustment in the various areas. The analysis of the effects on the accounting of the Vitesco Technologies Group as at December 31, 2021, resulted in the following findings:

> Financial instruments: An increase in insolvencies and associated credit losses as a result of the COVID-19 pandemic cannot be ruled out. The Vitesco Technologies Group has made allowances in cases where there are reasons in the assessment of credit management that lead to the assumption that it is more probable that the receivables are not collectible. The Vitesco Technologies Group regularly reviews the expected credit-loss model pursuant to IFRS 9 Financial Instruments in order to identify potential effects on the model and make any necessary adjustments. A review based on the information currently available did not reveal any need for adjustment as at December 31, 2021.

- Leases: As a result of the COVID-19 pandemic, changes to lease payments may lead to the different accounting treatment of individual leases. All relevant matters have been reviewed and accounted for in accordance with the requirements of IFRS 16 Leases. As at December 31, 2021, there was no material need for adjustment.
- Employee benefits: The review of the defined actuarial assumptions for employee benefits, including the interest rate, did not result in any need for adjustment due to the COVID-19 pandemic as at December 31, 2021.

Companies consolidated

The financial statements for the previous year were carve-out financial statements. Vitesco Technologies Group AG became the parent company of the Vitesco Technologies Group through the spin-off on September 15, 2021.

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

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

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

Noncontrolling interests in the net assets of subsidiaries that are not attributable to the Group are shown under “noncontrolling interests” as a separate component of total equity.

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

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

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

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

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

Currency translation

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

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

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

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

Currency		Closing rate		Average annual rate	
€1 in		December 31, 2021	December 31, 2020	2021	2020
Brazil	BRL	6.31	6.38	6.37	5.86
Canada	CAD	1.44	1.56	1.48	1.53
China	CNY	7.19	8.03	7.63	7.86
Czech Republic	CZK	24.87	26.27	25.65	26.43
United Kingdom	GBP	0.84	0.90	0.86	0.89
Hungary	HUF	369.63	364.63	358.46	350.84
India	INR	84.24	89.70	87.49	84.46
Japan	JPY	130.38	126.53	129.87	121.73
South Korea	KRW	1,347.48	1,335.28	1,353.75	1,344.10
Mexico	MXN	23.14	24.38	24.00	24.45
Romania	RON	4.95	4.87	4.92	4.84
Russia	RUB	84.84	91.77	87.24	82.34
Singapore	SGD	1.53	1.62	1.59	1.57
Thailand	THB	37.59	36.76	37.82	35.66
United States	USD	1.13	1.23	1.18	1.14

Revenue recognition

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

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

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

Description of sales revenue in automotive original-equipment business

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

Description of sales revenue in Contract Manufacturing segment

The Contract Manufacturing segment mainly brings together products that are directly connected to the business of the Continental Group. They are manufactured exclusively on behalf of the Continental Group and sold exclusively to the Continental Group. These transactions and revenues are the result of the spin-off of the drivetrain business from the Continental Group.

The type of performance obligations to the Continental Group in the Contract Manufacturing segment relates to the diverse and predominantly customer-specific products that are manufactured by the Vitesco Technologies Group and have been sold to the customer by Vitesco Technologies since its spin-off. Invoices are usually issued at the time the product is shipped. These invoices are paid 30 days after delivery. Payments are made by bank transfer in the vast majority of cases. No significant discounts on the invoice amount are granted; however, customer bonuses and other price reductions are included in the transaction price as variable price components in line with expectations.

The Continental Group does not usually make any significant prepayments, though during the 2021 fiscal year it did make a one-time prepayment of an amount equivalent to US$100.0 million. Revenue is almost always recognized over time using an output-based measurement method, and sales revenue is measured based on the products that leave the production plant, as the products are produced and delivered “just in time.” There are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

Description of sales revenue in industrial and spare-parts business

The type of performance obligations to customers in the industrial and spare-parts business is of secondary importance to Vitesco Technologies; please refer to the descriptions of the business units in the combined management report. Invoices are generally prepared once a month, while the payment terms average 60 days and differ primarily depending on the region and/or product group. Payments are made by bank transfer in the vast majority of cases. No significant discounts on the invoice amount are granted; however, customer bonuses and other price reductions are included in the transaction price as variable price components in line with expectations. The customers do not usually make any significant advance payments. Revenue is recognized at the point in time when control is transferred to the customer, also taking account of the agreed incoterms. There are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

Description of revenue in smaller business activities

Revenue in smaller business activities is included in the sales of the automotive original-equipment business, in the sales of the industrial and spare-parts business, and in other revenues. Services are provided and, further, project business is conducted in which developments for customers are made, goods produced, or services provided over a medium-term or longer period. Except in the case of revenue from research and development, these smaller business activities are only of minor importance for Vitesco Technologies. For all this revenue, there are no significant obligations from the right of customers to return products, or from reimbursements to customers or similar obligations, or from warranty commitments that include a service component.

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

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

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

Research and development costs

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

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

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

Product-related expenses

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

Financial result and investment income

Interest income and expenses are recognized for the period to which they relate. Distributions are recognized at the time of payment.

Dividends receivable are recognized upon the legal entitlement to payment.

Earnings per share

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

Statement of financial position classification

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

Goodwill

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

The details of the annual impairment testing are described in the Impairment section. Once an impairment loss has been recognized on goodwill, it is not reversed in subsequent periods.

Intangible assets

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

The details of the annual impairment testing are described in the Impairment chapter.

Property, plant, and equipment

Property, plant, and equipment is measured at cost less straight-line depreciation. If necessary, additional impairment is recognized if there are indicators of impairment.

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

Under certain conditions, portions of the borrowing costs are capitalized as part of the acquisition cost.

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

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

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

Government grants

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

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

Leases

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

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

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

Vitesco Technologies leases property, plant, and equipment, especially buildings.

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

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

The Group applies IFRS 15 Revenue from Contracts with Customers when allocating the consideration in the contract to each lease and nonlease.

Impairment

The Vitesco Technologies Group immediately reviews intangible assets, property, plant, and equipment; and goodwill as soon as there is an indication of impairment (triggering event). Impairment is assessed by comparing the carrying amount with the recoverable amount. The recoverable amount is the higher of the fair value less cost of disposal and the present value of the expected future cash flows from the continued use of the asset (value in use). If the carrying amount is higher than the recoverable amount, the difference is recognized as impairment. If the indications for the prior recognition of impairment no longer apply, the impairment losses are reversed for intangible assets and property, plant, and equipment.

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

The expected cash flows of the CGUs are derived from long-term planning that covers the next five years and has been approved by management. The plans are based in particular on assumptions regarding macroeconomic developments, as well as trends in sales prices, raw material prices, and exchange rates. In addition to these current market forecasts, past developments and experience are also taken into account. For the perpetuity beyond the period of five years, the cash flow is extrapolated using the expected long-term growth rates for the individual CGUs. For the High-Voltage Power Applications and Low-Voltage & Control-Unit Applications CGUs, stability is not expected even after the end of the detailed five-year planning period. Vitesco Technologies has accounted for this by adjusting to the expected business development when stability is achieved.

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

Annual impairment testing was performed on the basis of the bottom-up business plan for the next five years approved by management in the period under review. The cash flows of the CGUs were discounted using a pretax rate of 11.2% (previous year: 10.4%). This pretax WACC is based on the capital structure of the relevant peer group on average over the last five years. The risk-free rate is 0.1% (previous year: –0.2%) and the market risk premium 8.0% (previous year: 7.5%). Borrowing costs were calculated as the total of the risk-free rate plus the credit spreads of peer-group companies rated by Standard & Poor’s, Moody’s, or Fitch.

For the annual impairment testing, the growth rate during the detailed planning period averaged 17.0% for the CGUs in the Electronic Technology High-Voltage Power Applications segment, 43.1% for the CGUs in the Low-Voltage & Control-Unit Applications segment, 1.4% for the Electronic Controls segment, 0.6% for the Sensing & Actuation segment, and –61.1% for the Contract Manufacturing segment. The long-term growth rate was 1.0% for the CGUs in the Electronic Controls, Electrification Technology, and Sensing & Actuation segments. These growth rates do not exceed the long-term average growth rates for the markets in which the CGUs operate.

The annual impairment testing of goodwill found no need for write-downs in fiscal 2021.

Assuming a 0.5-percentage-point increase in the discount rate would not result in any impairment of goodwill. Reducing the long-term growth rate by 0.5 percentage points would not result in any impairment of goodwill. If sales in perpetuity would decline by 5.0%, consequently reducing free cash flow as a key planning parameter, this would not result in any impairment of goodwill. Moreover, none of the sensitivities described here for the key parameters would result in asset impairment.

Financial instruments

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

At the Vitesco Technologies Group, a purchase or sale of financial assets or financial liabilities is recognized or derecognized at the settlement date.

Financial assets

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

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

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

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

IFRS 9 Financial Instruments distinguishes between three business models:

> Hold-to-collect: The objective of this business model is to hold the financial assets and generate the contractual cash flows. This model is the prevalent business model in the Vitesco Technologies Group.
> Hold-to-collect and sale: This business model aims to collect the contractual cash flows or sell the financial assets. This business model does occur – for example, in connection with notes receivable – but is fundamentally of subordinate importance in the Vitesco Technologies Group.
> Other: This business model constitutes a catch-all category. This model occurs in the Vitesco Technologies Group in connection with recognized trade accounts receivable from third parties which will probably be sold under a true sale-of-receivables factoring agreement; however, it is fundamentally of subordinate importance in the Vitesco Technologies Group.

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

On the basis of these two conditions, a distinction is drawn between the following measurement categories:

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

or loss together with the foreign-currency gains and losses. Impairment losses are likewise recognized separately in the income statement.

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

> Measured at fair value through profit or loss (FVPL): The financial asset, which constitutes a debt instrument, is not to be measured at cost or at fair value through other comprehensive income with reclassification (FVOCIwR), as either the SPPI criterion was not met or the “Other” business model applies. Classification within the “measured at fair value through profit or loss (FVPL)” category can also be appropriate if the fair-value option is applied to debt instruments that should actually be classified as measured at cost or at fair value through other comprehensive income with reclassification (FVOCIwR). However, the Vitesco Technologies Group does not currently intend to apply the fair-value option to debt instruments. The financial asset, which constitutes an equity instrument, is to be measured at fair value through profit or loss if there is a trading intention or if there is no trading intention and the fair-value option is not used. Income or expense from a financial asset measured at fair value through profit or loss is recognized in the income statement.

> Measured at fair value through other comprehensive income without reclassification (FVOCIwoR): In the case of a financial asset that constitutes an equity instrument and is not held for trading, changes in the fair value are recognized in other comprehensive income. The Vitesco Technologies Group regularly exercises its option to recognize changes in fair value in other comprehensive income without later reclassification. The cumulative gain or loss in other comprehensive income is not reclassified to the income statement when the financial asset is derecognized. Dividends are recognized in other income from investments.

Investments that fall within the scope of IFRS 9 Financial Instruments and meet the definition of equity must generally be measured at fair value. For equity instruments that are neither held for trading nor constitute contingent consideration accounted for by the acquirer in a business combination according to IFRS 3 Business Combinations the Vitesco Technologies Group regularly exercises the option at the acquisition date of recognizing changes in fair value in other comprehensive income without later reclassification. Dividends are an exception to this and continue to be recognized in profit or loss when the legal entitlement is established, unless this relates to a partial restitution of acquisition costs. Equity instruments held for trading are without exception recognized at fair value through profit or loss.

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

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

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

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

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

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

> Insolvency or a similar event that indicates significant financial difficulty and a probable default of the counterparty.
> Probable debt waiver.
> A breach of contract that leads to the assumption that it is more probable that one or more receivables are not collectible.
> Other reasons in the assessment of credit management that lead to the assumption that it is more probable that the receivables are not collectible.

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

Financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

Derivative financial instruments are measured at fair value through profit or loss (FVPL). The fair value is generally the market or exchange price. In the absence of an active market, the fair value is determined using financial models.

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

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

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

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

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

Hedge accounting is applied using derivative instruments as hedges, provided the conditions for this are met. Vitesco Technologies prepares documentation on the designation of the hedges and on the documentation of the fulfillment of the conditions for the application of hedge accounting.

When hedging against risks that statement items change in value (with fair-value hedges), the hedging instrument as well as the secured, effective risk share of the item are measured at fair value. Changes in the measurement of hedge and hedged transactions are recognized through profit or loss.

Changes in the fair values of derivative instruments that are designated to hedge cash flows where effectiveness is demonstrated are recognized in the cash-flow hedge reserve in the difference from financial instruments in equity. If these cumulative fair-value changes from inception of the hedge exceed the cumulative present-value changes of the hedged items, the excess amounts are recognized directly in the income statement. The cash-flow hedge reserve is reclassified to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss.

If the hedged cash flows are no longer expected to occur, that amount is immediately reclassified from the reserve to profit or loss.

Hedge accounting under these separate rules is discontinued if the criteria for this are no longer met or the hedging instrument expires or is sold, terminated, or exercised. In this case, the cash-flow hedge reserve in place at the time of discontinuation is reclassified to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss, as long as the hedged future cash flows are still expected to occur. If they are not expected to occur, the cash flow-hedge reserve is reclassified to profit or loss immediately.

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

Embedded derivatives

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

Nonderivative host contracts, with the exception of financial assets, are regularly inspected for embedded derivatives.

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

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

Inventories

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

Other assets

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

Accounting for income taxes

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

Current taxes owed on income are recognized as expenses when they are incurred.

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

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

Potential risks from uncertain tax items are recognized in the statement of financial position using the amount of the best estimate possible for the expected tax payment (expected value or most likely value) and following IFRIC 23.

The companies in the Vitesco Technologies Group are subject to income tax in a large number of countries worldwide. In particular, interpretations of tax regulations can be associated with uncertainty when assessing global income-tax entitlements and liabilities. It cannot be ruled out that relevant tax authorities adopt a different perspective when it comes to interpreting tax standards correctly. Changes in assumptions about the correct interpretation of tax standards are incorporated into the accounting treatment of uncertain income-tax entitlements and liabilities.

Employee benefits

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

Pension provisions under defined-benefit plans are actuarially measured pursuant to IAS 19 Employee Benefits (revised 2011) using the projected-unit credit method which reflects salary, pension, and employee-fluctuation trends. The discount rate used to calculate the present value of the obligations is generally calculated based on the yields for high-quality, fixed-interest corporate bonds for the relevant currency area. Actuarial gains and losses are recognized in other comprehensive income. Expenses from interest cost on pension liabilities and income from plan assets are reported in the finance income. Accordingly, the interest effects of other long-term employee benefits are reported in the finance income.

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

The other postemployment benefits also shown under the employee benefits relate to obligations to pay for healthcare and life-insurance benefits for retired workers in the US and Canada in particular.

Defined-contribution plans represent retirement benefits where the Company only contributes contractually fixed amounts for current service entitlements, which are generally held by independent, external asset managers until the date of retirement of the employee. The fixed amounts are partly dependent on the level of the employee’s own contribution. In Germany, the Company continues to have subsidiary liability based on the country’s Corporate Pension Act (BetrAVG).

Provisions for other risks and obligations

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

Nonfinancial liabilities

Current nonfinancial liabilities are carried at their payable amount. Noncurrent nonfinancial liabilities are measured at amortized cost.

Share-based payments

Cash-settled share-based payments are measured at fair value using a Monte Carlo simulation. The liabilities are recognized under other financial liabilities until the end of the holding period.

Estimates

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

The most important estimates relate to the determination of the useful lives of intangible assets and property, plant, and equipment; the impairment testing of goodwill and noncurrent assets, in particular the underlying cash flow forecasts and discount rates; the recoverability of amounts receivable, other assets, and income tax receivable; the financial-modeling parameters for share-based payments, the recognition and measurement of liabilities and provisions, especially the actuarial parameters for pensions and other postemployment obligations; the parameters for measuring restructuring provisions, and the probabilities of claims and amounts of settlements for warranty, litigation, or environmental risks.

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

Consolidated statement of cash flows

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

The restrictions that may impact the availability of capital are also understood to comprise all existing restrictions on the cash and cash equivalents. In the Group, the cash and cash equivalents are restricted with regard to pledged amounts and balances in countries with foreign-exchange restrictions or other barriers to accessing liquidity. Taxes payable on the transfer of cash assets from one country to another are not usually considered to represent a restriction on cash and cash equivalents.

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

3. NEW ACCOUNTING RULES

In accordance with EU Regulation (EC) No. 1606/2002 in conjunction with HGB § 315e(1), Vitesco Technologies Group AG has prepared its consolidated financial statements in compliance with IFRS as adopted by the European Commission under the European Union endorsement procedure. Accordingly, IFRS are only required to be applied following endorsement of the new standards by the EU Commission.

The following endorsed standards, interpretations issued in relation to published standards, and amendments that were applicable to the consolidated financial statements of Vitesco Technologies Group AG became effective during the 2021 fiscal year and have been adopted accordingly:

Standard/interpretation		Applicable for fiscal years beginning on or after
IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	Interest Rate Benchmark Reform – Phase 2 (published by the IASB in August 2020)	January 1, 2021
IFRS 16	Amendment to IFRS 16 Leases (Covid-19-Related Rent Concessions beyond June 30, 2021) (published by the IASB in March 2021)	April 1, 2021 (retroactive application as of January 1, 2021)

The first-time adoption of these amendments did not and do not have any material impacts for the consolidated financial statements of Vitesco Technologies Group AG.

The following standards, interpretations issued in relation to published standards, and amendments have already been adopted by the EU but will not take effect until a later date:

Standard/interpretation		Applicable for fiscal years beginning on or after
IAS 37	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract) (published by the IASB in May 2020)	January 1, 2022
IAS 16	Amendments to IAS 16 Property, Plant, and Equipment (Proceeds before Intended Use) (published by the IASB in May 2020)	January 1, 2022
IFRS 3	Amendments to IFRS 3 Business Combinations (Reference to the Conceptual Framework) (published by the IASB in May 2020)	January 1, 2022
IFRS 1, IFRS 9, IFRS 16, and IAS 41	Collective standard 2018 – 2020 – amendments from the IASB's annual improvement process (published by the IASB in May 2020)	January 1, 2022

The amendments are not expected to have any significant effect on the future consolidated financial statements of Vitesco Technologies Group AG.

The following standards, interpretations issued in relation to published standards and amendments have not yet been adopted by the EU and will only take effect at a future point in time:

Standard/interpretation		Applicable for fiscal years beginning on or after
IAS 8	Amendments of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates) (published by the IASB in February 2021)	January 1, 2023 (subject to adoption in EU law)
IAS 1	Amendments to IAS 1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current) (published by the IASB in January 2020 and July 2020)	January 1, 2023 (subject to adoption in EU law)
IAS 1	Amendments to IAS 1 Presentation of Financial Statements and the Materiality Practice Statement (published by the IASB in February 2021)	January 1, 2023 (subject to adoption in EU law)
IAS 12	Amendments to IAS 12 Income Taxes (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction) (published by the IASB in May 2021)	January 1, 2023 (subject to adoption in EU law)

The amendments are not expected to have any significant effect on the future consolidated financial statements of Vitesco Technologies Group AG.

4. COMPANIES CONSOLIDATED AND INFORMATION ON SUBSIDIARIES AND INVESTMENTS

Companies consolidated

The consolidated financial statements of Vitesco Technologies Group AG incorporate all material companies that are controlled by Vitesco Technologies Group AG.

The scope of consolidation changed as follows in fiscal 2021:

	2021	2020
Number of fully consolidated companies (subsidiaries)	**40**	**41**
Germany	11	11
Other countries	29	30
Number of joint ventures	**1**	**1**
Germany	-	-
Other countries	1	1
Number of associated companies	**1**	**1**
Germany	-	-
Other countries	1	1

As in the previous year, there was one subsidiary that was not fully consolidated. Its assets, liabilities, earnings, and expenses are of minor importance to the earnings, finances, and assets of the Vitesco Technologies Group.

The number of companies consolidated has decreased by a total of one since the previous year as the result of a company’s sale. This company, Vitesco Technologies Faulquemont SAS, Faulquemont, France, was sold during the 2021 fiscal year.

Information on subsidiaries and investments

There were no noncontrolling interests that existed for the Vitesco Technologies Group as at December 31, 2021. The Vitesco Technologies Group had previously recognized noncontrolling interests on December 31, 2020. There were no significant restrictions in terms of access to or the use of assets of the Group due to statutory, contractual, or regulatory restrictions or property rights of noncontrolling interests.

Further information about the investments is provided in chapter 42 (List of Shareholdings of the Group).

5. ACQUISITION AND DISPOSAL OF COMPANIES AND BUSINESS OPERATIONS

In the Sensing & Actuation segment, a company and other assets were disposed of for a sale price of €15.3 million in March 2021. This transaction resulted in income of €5.4 million. Other than this, there was no effect on earnings, finances, and assets as at December 31, 2021.

In the Contract Manufacturing segment, the business of Vitesco Technologies Korea, Icheon-si, Korea that was attributable to the Continental Group – mainly consisting of unrecognized customer contracts – was disposed of. This produced a cash inflow and income of €61.0 million (previous year: –). Other than this, there was no effect on earnings, finances, and assets as at December 31, 2021.

In the Sensing & Actuation segment, a 50% shareholding in an equity-accounted investee was acquired for a purchase price of €11.7 million during the 2020 fiscal year..

In the Sensing & Actuation segment, business activities in an equity-accounted joint venture were disposed of during the 2020 fiscal year. This transaction resulted in income of €8.8 million.

In Korea, the remaining shares in an already fully consolidated company were acquired for a purchase price of €121.6 million. The resulting difference of €54.7 million between the purchase price and the carrying amount of the acquired shares was recognized in other comprehensive income.

None of the purchases or sales made in the 2020 fiscal year had any material impact on the Group’s earnings, finances, and assets as at December 31, 2020.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

In addition to the comments in chapter 2 (General Information and Accounting Principles), the disclosure requirements that arise in relation to IFRS 15 Revenue from Contracts with Customers are grouped together in this note.

Vitesco Technologies Group revenue

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

€ million	**2021**	2020
Revenue	8,348.5	8,027.7
Other revenues from research and development	339.1	320.3
Other revenues	3.7	1.7
Revenues from contracts with customers	**8,691.3**	**8,349.7**
Government grants[1]	26.0	19.8
Sale of property, plant, and equipment	14.7	6.1
Other ancillary business	7.0	0.9
Sale of energy and scrap	2.8	0.3
Others	–	–
Revenues from other sources	**50.5**	**27.1**
Total revenues	**8,741.8**	**8,376.8**

1) Government grants in connection with the COVID-19 pandemic are not included in this overview. Please refer to chapter 13 (Grants in Connection with the COVID-19 Pandemic) for information about them.

REVENUE FROM CONTRACTS WITH CUSTOMERS FROM JANUARY 1 TO DECEMBER 31 2021

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
Germany	197.0	499.9	627.7	30.1	–9.8	1,344.9
Europe excluding Germany	380.5	895.3	917.0	241.4	–11.5	2,422.7
North America	19.6	794.2	702.8	449.2	–5.0	1,960.8
Asia	–10.0	1,299.0	923.3	321.5	–15.5	2,518.3
Other countries	–	47.5	46.4	7.8	0.1	101.8
Sales by region	**587.1**	**3,535.9**	**3,217.2**	**1,050.0**	**–41.7**	**8,348.5**
Automotive original-equipment business	587.1	3,352.8	3,006.9	1,028.0	–41.7	7,933.1
Industrial/spare-parts business	–	183.1	210.3	22.0	–	415.4
Sales by customer type	**587.1**	**3,535.9**	**3,217.2**	**1,050.0**	**–41.7**	**8,348.5**

REVENUE FROM CONTRACTS WITH CUSTOMERS FROM JAN. 1 TO DEC. 31, 2020

€ million	Electrification Technology	Electronic Controls	Sensing & Actuation	Contract Manufacturing	Other/ holding company/ consolidation	Vitesco Technologies Group
Germany	159.6	561.8	640.4	18.6	–0.4	1,380.0
Europe excluding Germany	202.9	829.9	805.8	223.8	–9.4	2,053.0
North America	36.6	865.2	643.0	485.5	–8.0	2,022.3
Asia	6.8	1,339.8	793.8	359.6	–13.6	2,486.4
Other countries	–	40.1	34.2	11.8	–0.1	86.0
Sales by region	**405.9**	**3,636.8**	**2,917.2**	**1,099.3**	**–31.5**	**8,027.7**
Automotive original-equipment business	405.9	3,496.5	2,753.2	1,079.6	–31.5	7,703.7
Industrial/spare-parts business	–	140.3	164.0	19.7	–	324.0
Sales by customer type	**405.9**	**3,636.8**	**2,917.2**	**1,099.3**	**–31.5**	**8,027.7**

Revenue from research and development is presented in chapter 7 (Research and Development Costs) of the notes to the consolidated financial statements.

Information about contract assets and contract liabilities

Contract assets are mainly the result of customer-specific goods or services produced through projects for customers, though they are of minor importance within the Vitesco Technologies Group. Because in these cases the goods or services are provided over a medium-term or longer period in which goods or services have already been provided by Vitesco

Technologies but there is not yet an unconditional right against the customer – i.e., a receivable – contract assets must be recognized. The right – or part of the right – to consideration from the customer is often only unconditional once the provision of the services has been completed and can then be recognized as a receivable and invoiced in full. The associated payments are generally made on the basis of actual invoicing. The recognition of receivables and the receipt of payments reduce the associated contract assets.

The following table presents the contract assets from contracts with customers:

€ million	**December 31, 2021**	December 31, 2020
Contract assets	1.2	11.0

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

The following table presents the contract liabilities from contracts with customers:

€ million	**December 31, 2021**	December 31, 2020
Contract liabilities	60.4	98.1

The current contract liabilities of €98.1 million accounted for at the beginning of the year were fully recognized as revenue in the reporting period. In 2020, all of the current contract liabilities of €72.6 million accounted for at the beginning of the year were recognized as revenue. As a result of performance obligations satisfied in previous years, no material revenue – for example, due to changes in the transaction price – was recognized in the reporting period.

Transaction price for performance obligations not yet satisfied

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

€ million	**2022**	**2023 onward**
Revenue from research and development	43.2	21.1

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

Use of other practical expedients

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

7. RESEARCH AND DEVELOPMENT COSTS

The costs and revenue from research and development are shown in the two tables below. The research and development costs include government grants totaling €25.7 million (previous year: €19.1 million).

	2021				
€ million	**Electrification Technology**	**Electronic Controls**	**Sensing & Actuation**	**Contract Manufacturing**	**Vitesco Technologies Group**
Research and development costs	–273.6	–527.7	–230.5	–	–1,031.8
Revenue from research and development	34.3	267.3	37.2	0.3	339.1
Research and development costs (net)	**–239.3**	**–260.4**	**–193.3**	**0.3**	**–692.7**

	2020				
€ million	**Electrification Technology**	**Electronic Controls**	**Sensing & Actuation**	**Contract Manufacturing**	**Vitesco Technologies Group**
Research and development costs	–222.7	–517.5	–226.3	–34.8	–1,001.3
Revenue from research and development	33.6	226.8	38.9	21.0	320.3
Research and development costs (net)	**–189.1**	**–290.7**	**–187.4**	**–13.8**	**–681.0**

8. OTHER INCOME AND EXPENSES

€ million	**2021**	2020
Other income	809.3	538.7
Other expenses	–502.3	–504.4
Other income and expenses	**307.0**	**34.3**

OTHER INCOME

€ million	2021	2020
Income from research and development	339.1	320.3
Income from the reversal of provisions	125.3	50.5
Reversal of impairment losses on property, plant, and equipment	124.8	2.4
Income from the disposal of companies and business operations	66.4	8.8
Compensation from customers and suppliers	44.5	4.7
Income from the disposal of property, plant, and equipment	16.8	6.1
Income from the reversal of impairment on financial assets and contract assets	8.9	3.6
Income from the reimbursement of customer tooling expenses	3.7	1.7
Income from the reversal of provisions for severance payments	1.9	1.5
Income from the reversal of provisions for litigation and environmental risks	0.6	4.1
Miscellaneous	77.3	135.0
Other income	**809.3**	**538.7**

Other income increased by €270.6 million to €809.3 million (previous year: €538.7 million).

Income from research and development increased by €18.8 million to €339.1 million (previous year: €320.3 million).

Specific warranties, restructuring measures, and pending losses in the reporting period produced income of €125.3 million (previous year: €50.5 million).

Reversal of impairment losses on property, plant, and equipment resulted in income of €124.8 million (previous year: €2.4 million) in 2021. The main portion of this pertains to a reversal for assets that are primarily technical equipment and machinery in the High-Voltage Power Applications CGU, which itself is in the Electrification Technology segment, and that had been calculated based on the annual impairment testing according to IAS 36 Impairment of Assets. The reversal results from the future, positive business development in the High-Voltage Power Applications CGU over the next few years, which is reflected in strategic plans. The potential reversal consists of the difference between the value in use and the carrying amount, while the reversal itself was made for individual assets up to an amount no more than the depreciated cost at the time of the result of the impairment testing.

Disposals of companies and business operations in 2021 resulted in income of €66.4 million (previous year: €8.8 million).

Compensation from customers and suppliers resulted in income totaling €44.5 million (previous year: €4.7 million).

The disposal of property, plant, and equipment during the reporting period generated income of €16.8 million (previous year: €6.1 million).

Income from the reversal of impairment on financial assets and contract assets was €8.9 million (previous year: €3.6 million).

Reimbursement of customer tooling expenses in 2021 resulted in income of €3.7 million (previous year: €1.7 million).

The reversal of provisions for severance payments in the reporting period produced income of €1.9 million (previous year: €1.5 million).

The reversal of provisions for litigation and environmental risks resulted in income totaling €0.6 million (previous year: €4.1 million).

The “miscellaneous” item mainly includes income in connection with the spin-off from Continental AG and income from offsetting against services to Continental AG.

OTHER EXPENSES

€ million	**2021**	2020
Additions to specified warranties and provisions for restructuring measures	150.9	254.9
Impairment of property, plant, and equipment and intangible assets	96.4	79.1
Expenses from obligations associated with defeat devices	80.0	–
Compensation to customers and suppliers	14.0	30.0
Expenses from impairment on financial assets and contract assets	10.6	15.5
Expenses from severance payments	9.8	13.5
Additions to provisions for litigation and environmental risks	8.4	17.6
Losses on the disposal of property, plant and equipment, and from scrapping	8.3	5.7
Expenses from customer tooling	0.7	1.2
Expenses from currency translation	–	4.1
Miscellaneous	123.2	82.8
Other expenses	**502.3**	**504.4**

Other expenses decreased by €2.1 million to €502.3 million (previous year: €504.4 million).

Specific warranty provisions, restructuring measures, and pending losses resulted in expenses totaling €150.9 million (previous year: €254.9 million).

Impairment on property, plant, and equipment and intangible assets amounted to €96.4 million (previous year: €79.1 million).

The expenses for obligations associated with defeat devices liabilities ran up to €80.0 million (previous year: –). This includes expenses for other financial obligations from the Group-separation agreement and the Company’s own costs for legal defense.

Compensation to customers and suppliers that is not attributable to warranties during the reporting period resulted in expenses of €14.0 million (previous year: €30.0 million).

Expenses from impairment on financial assets and contract assets were €10.6 million (previous year: €15.5 million).

Personnel adjustments not related to restructuring led to expenses from severance payments of €9.8 million (previous year: €13.5 million).

In connection with provisions for litigation and environmental risks, there were expenses of €8.4 million (previous year: €17.6 million).

Losses on the disposal of property, plant, and equipment and from scrapping in 2021 amounted to €8.3 million (previous year: €5.7 million).

Customer tooling in 2021 led to expenses of €0.7 million (previous year: €1.2 million).

The "miscellaneous” item includes, among other things, expenses for other taxes of €14.7 million (previous year: €11.7 million), for offsetting against services from Continental AG of €16.1 million (previous year: –), and expenses from the spin-off from Continental AG of €43.3 million (previous year: –).

9. PERSONNEL EXPENSES

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

€ million	**2021**	2020
Wages and salaries	1,572.0	1,455.8
Social-security contributions	322.2	304.7
Pension and postemployment benefit costs	80.5	74.0
Personnel expenses	**1,974.7**	**1,834.5**

Compared to the 2020 reporting period, personnel expenses rose by €140.2 million to €1,974.7 million (previous year: €1,834.5 million). The average number of employees in 2021 was 38,958 (previous year: 39,539). As at the end of the year, there were 37,488 (previous year: 40,490) people who were employed within the Vitesco Technologies Group.

Personnel expenses have risen year on year. Due to the ongoing restructuring in the Sensing & Actuation and Contract Manufacturing segments, the head count in these areas grew smaller, while more staff members were added in the Electrification Technology segment and central functions. This addition of staff members is associated with new roles due to the spin-off and build-up of production capacity. Fiscal 2020 was also marked by short-time working hours. Please also see the comments in the management report.

10. INCOME FROM INVESTMENTS

€ million	**2021**	2020
Income from equity-accounted investees	1.1	1.0

Income from investments includes the share of income from equity-accounted investees in the amount of €1.1 million (previous year: €1.0 million). There was no other income from investments.

11. FINANCE INCOME

€ million	2021	2020
Interest and similar income	12.8	15.8
Expected income from long-term employee benefits and from plan assets	3.8	4.8
Interest income	**16.6**	**20.6**
Interest and similar expenses	–11.8	–15.6
Interest expenses from lease liabilities	–4.1	–3.7
Interest expense for long-term provisions and liabilities	–0.1	–0.2
Interest expense from long-term employee benefits	–12.1	–14.2
Interest expense	**–28.1**	**–33.7**
Effects from currency translation	**13.7**	**–14.8**
Effects from changes in the fair value of derivative instruments	–10.2	–0.6
Other measurement effects	2.1	1.5
Effects from changes in the fair value of derivative instruments, and other measurement effects	**–8.1**	**0.9**
Finance income	**–5.9**	**–27.0**

12. INCOME TAX

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

€ million	2021	2020
Current taxes (domestic)	–17.0	–33.4
Current taxes (foreign)	–115.7	–104.4
Deferred taxes (domestic)	7.0	56.1
Deferred taxes (foreign)	–29.9	69.8
Income tax	**–155.6**	**–11.9**

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

€ million	2021	2020
Earnings before tax	**33.6**	**–351.3**
Expected tax expense at the domestic tax rate	–10.3	107.8
Tax-rate differences (foreign)	11.3	–3.4
Nondeductible expenses and nonimputable withholding taxes	–56.8	–26.2
Incentives and tax holidays	35.7	25.9
Taxes for previous years	–32.7	–4.8
Nonrecognition of deferred tax assets unlikely to be realized	–94.1	–102.9
Change in permanent differences	1.8	–3.0
Realization of previously nonrecognized deferred taxes	0.7	34.5
Tax impact from equity-accounted investments	–0.3	–0.2
Local income tax with different tax base	–11.4	–17.6
Effects from changes in enacted tax rate	0.6	–22.4
Other	–0.0	0.4
Income tax	**–155.6**	**–11.9**
Effective tax rate as a %	**463.2**	**–3.4**

The average domestic tax rate in 2021 was 30.7% (previous year: 30.7%). The calculation of this tax rate factors in a corporation-tax rate of 15.0% (previous year: 15.0%) as well as a solidarity surcharge of 5.5% (previous year: 5.5%) and a trade-tax rate of 14.9% (previous year: 14.9%).

The differences of foreign tax rates led to a reduction of the tax burden and are mainly attributable to the extent of business in China and the high-tech status enjoyed by several subsidiaries.

The tax rate received a major negative impact from noncash allowances on deferred tax assets totaling –€94.1 million (previous year: –€102.9 million), of which –€40.1 million (previous year: –€3.3 million) was for previous years. Furthermore, as in the previous year, the tax rate was negatively affected by nondeductible expenses and nonimputable foreign withholding taxes.

The tax effects from government incentives and tax holidays increased significantly in comparison to the previous year. In addition to the ongoing utilization of incentives for research and development activities in Europe and Asia, the utilization of government incentives in the US had a further positive impact. In the reporting period, local income taxes with a different tax base were incurred at an amount of –€11.4 million (previous year: –€17.6 million). These taxes were mainly the Base Erosion and Anti-Abuse Tax (BEAT) in the US and local taxes in South Korea.

An actual tax expense was incurred for previous years in fiscal 2021, in an amount of €2.7 million (previous year: €2.3 million). The expenditure for deferred taxes from previous years in the 2021 fiscal year came to €30.0 million (previous year: €2.5 million). The impacts of deferred taxes from previous years result primarily from Mexico and Thailand.

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

€ million	December 31, 2021	December 31, 2020
Income-tax expense (per consolidated statement of income)	**–155.6**	**–11.9**
Tax income on other comprehensive income	**–3.5**	**–94.0**
Remeasurement of defined-benefit plans	–3.7	–94.0
Investment in equity-accounted investees	–	–
Currency translation	0.2	0.0
Total income-tax expense	**–159.1**	**–105.9**

13. GRANTS IN CONNECTION WITH THE COVID-19 PANDEMIC

The government grants paid to the Vitesco Technologies Group because of the COVID-19 pandemic in the reporting period totaled €2.7 million (previous year: €15.3 million) and were recognized in income. They primarily include reimbursements of social-security contributions in an amount of €1.9 million (previous year: €11.3 million), the majority of which relate to short-time work income.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14. GOODWILL AND OTHER INTANGIBLE ASSETS

€ million	Goodwill	Capitalized development expenses[1]	Other intangible assets	Advances to suppliers	Total other intangible assets
As at Jan. 1, 2020					
Cost	**2,217.7**	221.4	131.6	1.3	**354.3**
Accumulated depreciation	**–1,412.0**	–66.7	–113.7	–	**–180.4**
Carrying amounts	**805.7**	**154.7**	**17.9**	**1.3**	**173.9**
Net change in 2020					
Carrying amounts	**805.7**	**154.7**	**17.9**	**1.3**	**173.9**
Exchange-rate changes	**–20.5**	–2.2	–0.1	–0.0	**–2.3**
Additions	**–**	35.4	2.7	0.4	**38.5**
Transfers	**–**	–	1.2	–1.2	**–**
Disposals	**–**	–	–0.4	–	**–0.4**
Depreciation, amortization, and impairment	**–**	–32.4	–12.8	–	**–45.2**
Impairment	**–**	–	0.0	–	**0.0**
Carrying amounts	**785.2**	**155.5**	**8.5**	**0.5**	**164.5**
As at Dec. 31, 2020					
Cost	**2,190.7**	**248.6**	**128.1**	**0.5**	**377.2**
Accumulated depreciation	**–1,405.5**	**–93.1**	**–119.6**	**–**	**–212.7**
Carrying amounts	**785.2**	**155.5**	**8.5**	**0.5**	**164.5**
Net change in 2021					
Carrying amounts	**785.2**	**155.5**	**8.5**	**0.5**	**164.5**
Exchange-rate changes	**17.8**	3.8	0.1	0.1	**4.0**
Additions	**–**	28.5	19.3	1.7	**49.5**
Amounts disposed of through disposal of subsidiaries	**–**	–	–0.1	–	**–0.1**
Transfers	**–**	–	0.3	–0.3	**–**
Disposals	**–**	–2.9	–0.1	–	**–3.0**
Depreciation, amortization, and impairment	**–**	–32.5	–7.7	–	**–40.2**
Impairment	**–**	–1.2	–	–	**–1.2**
Carrying amounts	**803.0**	**151.2**	**20.3**	**2.0**	**173.5**
As at Dec. 31, 2021					
Cost	**2,214.3**	276.0	146.8	2.0	**424.8**
Accumulated depreciation	**–1,411.3**	–124.8	–126.5	–	**–251.3**
Carrying amounts	**803.0**	**151.2**	**20.3**	**2.0**	**173.5**

1) Excluding development expenses for internally generated software.

The carrying amount of goodwill relates principally to the acquisitions of Siemens VDO (2007), the automotive-electronics business from Motorola (2006), Emitec (2014), and Continental Teves (1998).

The table below shows the goodwill of each cash-generating unit in line with the current organizational structure:

	Goodwill	
€ million	**December 31, 2021**	December 31, 2020
Electronic Controls	483.7	472.1
Sensing & Actuation	319.3	313.1
Vitesco Technologies Group	**803.0**	**785.2**

Additions related mainly to software in the amount of €16.8 million (previous year: €2.7 million). The other intangible assets include software at carrying amounts of €17.8 million (previous year: €5.2 million), which is amortized on a straight-line basis.

Of the total development costs incurred in 2021, €28.5 million (previous year: €35.4 million) qualified for recognition as an asset under IAS 38 Intangible Assets.

Amortization of other intangible assets amounted to €40.2 million (previous year: €45.2 million). Of this, €32.2 million (previous year: €36.2 million) is included in the consolidated statement of income under the cost of sales and €8.0 million (previous year: €9.0 million) under administrative expenses

Please refer to chapter 2 (General Information and Accounting Principles) and chapter 8 (Other Income and Expenses) for information regarding impairment.

15. PROPERTY, PLANT, AND EQUIPMENT

Additions to property, plant, and equipment, excluding right-of-use assets, increased by €2.4 million year on year to €422.8 million (previous year: €425.2 million).

Government investment grants of €11.8 million (previous year: €0.0 million) were deducted directly from cost.

Capital expenditure as a whole increased by €119.5 million year on year to €599.5 million (previous year: €480.0 million). Capital expenditure in total is equivalent to 7.2% (previous year: 6.0%) of sales revenue.

The year-on-year increase in total capital expenditure should be seen as connected to the spin-off. The strategy of reducing capital expenditure on combustion engines and concentrating on electrification business will continue to be implemented.

Consequently, a large portion of the additions was attributable to capital expenditure on right-of-use assets for properties and buildings, especially in Germany, France, China, and India. It also includes the acquisition of production facilities from the Continental Group. Most capital expenditure was on the expansion of production capacity, especially at sites in China, Hungary, the Czech Republic, and Germany.

The Electrification Technology segment continued to expand its production capacity for high-voltage electronics and its new generation of electric final drive in China and Hungary.

In the Electronic Controls segment, capital expenditure on electronic controls has increased year on year. This expenditure was chiefly on expanding production facilities for a new generation of transmission-control units. On the other hand, capital expenditure on hydraulics continuously decreased in accordance with the strategic decision made in 2019 to modify the Company's product portfolio and move it more toward innovative and efficient electrification solutions.

In the Sensing & Actuation segment, capital expenditure was principally on transmission and motor sensors as well as actuators. The share of capital expenditure on electrification technology continues to increase. Capital expenditure on fuel-supply systems was reduced further in accordance with the 2019 strategy change.

Please refer to chapter 8 (Other Income and Expenses) for information regarding impairment losses and reversals of impairment losses.

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

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

€ million	Land, land rights, and buildings	Technical equipment and machinery	Other equipment and operating and office equipment	Advances to suppliers and assets under construction	Total
As at Jan. 1, 2020					
Cost	622.9	3,999.5	538.7	493.5	**5,654.6**
Accumulated depreciation	–275.6	–2,504.2	–429.7	–4.2	**–3,213.7**
Carrying amounts	**347.3**	**1,495.3**	**109.0**	**489.3**	**2,440.9**
Net change in 2020					
Carrying amounts	347.3	1,495.3	109.0	489.3	**2,440.9**
Exchange-rate changes	–17.7	–58.8	–2.7	–20.8	**–100.0**
Additions	9.4	161.3	23.1	231.4	**425.2**
Amounts disposed of through disposal of subsidiaries	–	–1.1	–	–	**–1.1**
Transfers	48.9	280.2	17.0	–346.1	**–**
Disposals	–0.3	–23.3	–1.3	–5.5	**–30.4**
Depreciation, amortization, and impairment	–28.4	–349.6	–38.4	–	**–416.4**
Impairment[1]	–1.8	–72.2	–1.7	–	**–75.7**
Carrying amounts	**357.4**	**1,431.8**	**105.0**	**348.3**	**2,242.5**
As at Dec. 31, 2020					
Cost	653.0	4,149.1	550.3	351.8	**5,704.2**
Accumulated depreciation	–295.6	–2,717.3	–445.3	–3.5	**–3,461.7**
Carrying amounts	**357.4**	**1,431.8**	**105.0**	**348.3**	**2,242.5**
Net change in 2021					
Carrying amounts	357.4	1,431.8	105.0	348.3	**2,242.5**
Exchange-rate changes	10.7	70.9	3.4	16.9	**101.9**
Additions	3.8	136.4	29.8	252.8	**422.8**
Amounts disposed of through disposal of subsidiaries	–0.5	–1.0	–0.1	–0.2	**–1.8**
Transfers	31.6	222.1	16.8	–270.5	**–**
Disposals	–14.9	–39.3	–2.4	–4.8	**–61.4**
Depreciation, amortization, and impairment	–30.9	–361.5	–38.4	–	**–430.8**
Impairment[1]	–0.2	29.7	0.2	–	**29.7**
Carrying amounts	**357.0**	**1,489.1**	**114.3**	**342.5**	**2,302.9**
As at Dec. 31, 2021					
Cost	681.5	4,449.0	584.0	345.1	**6,059.6**
Accumulated depreciation	–324.5	–2,959.9	–469.7	–2.6	**–3,756.7**
Carrying amounts	**357.0**	**1,489.1**	**114.3**	**342.5**	**2,302.9**

1) Impairment also includes any required reversal of impairment losses.

16. LEASES

In addition to the comments in chapter 2 (General Information and Accounting Principles), the disclosure requirements that arise in relation to IFRS 16 Leases are grouped together in this note.

Vitesco Technologies Group as lessee

Right-of-use assets

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

Additions within the right-of-use assets amounted to €158.2 million for the reporting period (previous year: €51.6 million). These resulted mainly from additions to land and buildings in the amount of €145.4 million (previous year: €45.7 million) and from additions to other equipment and factory and office equipment in the amount of €11.1 million (previous year: €5.9 million).

The right-of-use assets recognized as at December 31, 2021 amounted to €242.0 million (previous year: €215.5 million) and correspond to approximately 9.5% (previous year: 8.8%) of all property, plant, and equipment of the Group. The weighted average lease term is approximately eight years (previous year: approx. seven years) for right-of-use assets for land and buildings, approximately six years (previous year: approx. four years) for right-of-use assets for technical equipment and machinery, and approximately four years (previous year: approx. three years) for right-of-use assets for other equipment and factory and office equipment.

Right-of-use assets developed as follows during the reporting period:

€ million	Right of use for land and buildings	Right of use for technical equipment and machinery	Right of use for other equipment and factory and office equipment	Total
Carrying amount as at Jan. 1, 2020	**207.0**	**2.8**	**7.7**	**217.5**
Net change in 2020				
Carrying amounts	207.0	2.8	7.7	**217.5**
Exchange-rate changes	–4.1	–0.1	–0.2	**–4.4**
Additions	45.7	0.0	5.9	**51.6**
Transfers	–	0.3	–0.3	**–**
Disposals	–8.7	–	–0.8	**–9.5**
Depreciation, amortization, and impairment	–32.2	–1.3	–5.2	**–38.7**
Impairment[1]	–1.0	–	–	**–1.0**
Carrying amounts	**206.7**	**1.7**	**7.1**	**215.5**
As at Dec. 31, 2020				
Cost	256.0	2.6	13.5	**272.1**
Accumulated depreciation	–49.3	–0.9	–6.4	**–56.6**
Carrying amounts	**206.7**	**1.7**	**7.1**	**215.5**
Net change in 2021				
Carrying amounts	206.7	1.7	7.1	**215.5**
Exchange-rate changes	10.5	–	0.2	**10.7**
Additions	145.4	1.7	11.1	**158.2**
Amounts disposed of through disposal of subsidiaries	–2.7	–	–	**–2.7**
Disposals	–96.9	–	–0.9	**–97.8**
Depreciation, amortization, and impairment	–35.6	–0.6	–5.7	**–41.9**
Impairment[1]	0.0	–	0.0	**0.0**
Carrying amounts	**227.4**	**2.8**	**11.8**	**242.0**
As at Dec. 31, 2021				
Cost	298.2	3.8	20.2	**322.2**
Accumulated depreciation	–70.8	–1.0	–8.4	**–80.2**
Carrying amounts	**227.4**	**2.8**	**11.8**	**242.0**

1) Impairment also includes any required reversal of impairment losses.

Lease liabilities

As at the end of the reporting period, lease liabilities amounted to €244.5 million (previous year: €220.6 million). Future cash outflows resulting from leases are shown in the following table:

€ million	**2021**	2020
Less than one year	44.2	42.8
One to two years	39.0	31.1
Two to three years	34.5	27.7
Three to four years	30.8	22.4
Four to five years	25.8	20.2
More than five years	90.7	95.7
Total undiscounted lease liabilities	**265.0**	**239.9**
Lease liabilities as at Dec. 31	**244.5**	**220.6**
Current	45.4	39.3
Noncurrent	199.1	181.3

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

€ million	**2021**	2020
Interest expenses on lease liabilities	4.1	3.7
Expenses relating to short-term leases	6.3	3.9
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	2.9	2.5
Expenses from variable lease payments not included in the measurement of lease liabilities	808.8	866.3

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

€ million	**2021**	2020
Cash outflow for leases	861.0	916.2

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

Potential future cash outflows

The leases recognized as at December 31, 2021 include options that were not considered reasonably certain as at the reporting date and are not included in the measurement of lease liabilities. These options may result in potential future cash outflows over the coming fiscal years.

The leases in some cases include variable lease payments as well as extension, termination, and purchase options. As a rule, the Group endeavors to include extension and termination options in new leases in order to ensure operational flexibility. For the initial measurement of lease liabilities, such options are recognized once it is reasonably certain that they will be exercised. If a significant event or a significant change in circumstances occurs that is within the control of Vitesco Technologies, this will be taken into account accordingly in the remeasurement of lease liabilities. As at the end of the reporting period, potential future lease payments of €102.4 million (previous year: €3.6 million) from such options were not included in the measurement of lease liabilities. Potential future cash outflows of €1,092.0 million (previous year: €1,940.1 million) arising from variable lease payments were likewise not included in the measurement of lease liabilities as at the end of the reporting period. The potential future cash outflows for variable lease payments decreased year on year due to the further transfer of production lines in Contract Manufacturing.

The future scope of obligations arising from leases to which Vitesco Technologies is committed but that had not yet commenced as at the end of the reporting period amounted to €80.9 million (previous year: €14.7 million).

Contract Manufacturing

There exists a contract-manufacturing agreement between the Continental Group and Vitesco Technologies Group. When the Continental Group manufactures products on behalf of Vitesco Technologies at contract-manufacturing plants, the contract-manufacturing agreement provides for a lease in certain cases. When this is the case, Vitesco Technologies acts as the lessee of the production facilities. Because variable lease payments are made by Vitesco Technologies to the Continental Group depending on the orders placed by the customer, there is no recognition of a right-of-use asset or lease liability. The expenses for variable lease payments based on contract manufacturing amount to €808.8 million (previous year: €866.2 million). The Vitesco Technologies Group expects future cash outflows for variable lease payments based on contract manufacturing to be €1,092.0 million (previous year: €1,939.4 million) for the remaining lease terms.

Vitesco Technologies Group as lessor

The Group acts as lessor in some business relationships. These are operating leases, as the Vitesco Technologies Group retains the material risks and rewards incidental to ownership.

Operating leases

Lease income from operating leases in which the Vitesco Technologies Group acts as lessor amounted to €0.6 million (previous year: €0.8 million). These related primarily to the leasing of land and buildings.

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

€ million	2021	2020
Less than one year	0.8	–
One to two years	0.1	–
Two to three years	–	–
Three to four years	–	–
Four to five years	–	–
More than five years	–	–
Total undiscounted lease payments	**0.9**	**–**

Contract Manufacturing

The Vitesco Technologies Group manufactures products for the Continental Group at contract-manufacturing sites as part of a contract-manufacturing agreement. In some cases, the contract-manufacturing agreement establishes a lease where Vitesco Technologies acts as the lessor of the production facilities and carries the investment risk. These leases are classified as operating leases. The Continental Group makes variable lease payments to the Vitesco Technologies Group depending on the orders that it places as the customer. The income from variable lease payments based on contract-manufacturing agreements amount to €871.8 million (previous year: €888.3 million).

17. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

€ million	2021	2020
As at Jan. 1	**15.9**	**2.3**
Additions	–	12.6
Share of income	1.0	1.0
As at Dec. 31	**16.9**	**15.9**

Napino Control Systems Private Limited, Gurgaon, India is an associated company of the Vitesco Technologies Group in the Electronic Controls segment. Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands holds 30% of the voting rights and has a deciding influence over it. The main object of the associated company is the manufacturing of electronic injection valves and associated products.

PV Clean Mobility Techn. Private Ltd. PTC, Gurugram, India is a joint venture of the Vitesco Technologies Group. This joint venture is run by Vitesco Technologies Holding Netherlands B.V., Maastricht, Netherlands, which holds 50.0% of the voting rights, and Padmini VNA Mechatronic PVT Ltd., Gurugram, India. The main object of the company is the manufacturing of actuators, valves, brushless DC motors, and water pumps.

The joint venture was purchased at a price of €11.7 million during the 2020 fiscal year. Beyond that, there were no other material impacts on earnings, finances, and assets at the time of acquisition on July 2, 2020. Parts of the Sensing & Actuation business were sold to the joint venture after its establishment in fiscal 2020. This transaction produced income of €8.8 million; intercompany eliminations were not carried out.

The figures taken from the last two available sets of IFRS-compliant financial statements (2020 and 2019) for the equity-accounted investees above are as follows. Amounts are stated at 100.0%. Furthermore, the share of net assets has been reconciled to the respective carrying amount of the investment.

	PV Clean Mobility Techn. Private Ltd. PTC		Napino Control Systems Private Limited	
€ million	2020	2019	2020	2019
Current assets	12.2	–	32.0	6.7
Of which cash and cash equivalents	1.6	–	1.4	1.4
Noncurrent assets	8.9	–	9.0	11.3
Total assets	**21.1**	–	**41.0**	**18.0**
Current liabilities	10.2	–	24.4	7.3
Of which other current financial liabilities	10.1	–	1.6	3.9
Noncurrent liabilities	0.1	–	5.1	3.0
Of which noncurrent financial liabilities	–	–	4.9	2.9
Total liabilities	**10.3**	–	**29.5**	**10.3**
Revenue	7.1	–	74.7	1.4
Interest income	0.0	–	–	–
Interest expense	–0.1	–	0.6	0.2
Depreciation, amortization, and impairment	1.2	–	1.4	0.6
Earnings before tax	–0.8	–	5.4	–2.1
Income tax	–0.0	–	–1.4	0.7
Earnings after tax	–0.8	–	4.0	–1.4
Net assets	10.8	–	11.5	7.7
Share of net assets	5.4	–	3.4	2.3
Goodwill and hidden reserves	5.6	–	–	–
Exchange-rate changes	0.3	–	0.0	–
Change in other comprehensive income for the prior year	–	–	–0.2	–
Share earnings for prior years	–	–	1.4	–
Carrying amount	11.3	–	4.6	2.3

18. OTHER INVESTMENTS

€ million	December 31, 2021	December 31, 2020
Investments in unconsolidated affiliated companies	0.1	0.1
Other participations	23.7	15.1
Other investments	**23.8**	**15.2**

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

The year-on-year changes in the carrying amount, which came to €8.6 million, resulted from the acquisition of an "other participation" of 1.7% in GaN Systems Inc., Ottawa, Canada, on November 30, 2021.

The interest in QuantumScape Corporation, San José, US was sold to the Continental Group for strategic reasons for a sale price of €33.5 million on November 16, 2020. Vitesco Technologies acquired a 10.0% interest in IAV GmbH Ingenieurgesellschaft Auto und Verkehr, Berlin, for €15.1 million on December 8, 2020.

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

19. DEFERRED TAXES

Deferred taxes developed as follows:

	December 31, 2021						December 31, 2020
€ million	Deferred tax assets	Deferred tax liabilities	Net	Recognized in profit or loss	Recognized in equity	Recognized in other comprehensive income	Net
Other intangible assets and goodwill	149.6	–331.8	–182.2	26.1	–	1.4	–209.7
Property, plant, and equipment	62.7	–89.2	–26.5	–18.6	–0.1	2.2	–10.0
Inventories	28.2	–0.3	27.9	7.4	–	0.5	20.0
Other assets	32.6	–3.3	29.3	20.4	–	0.8	8.1
Employee benefits less defined-benefit assets	156.6	–3.1	153.5	–16.3	–0.1	–32.8	202.7
Provisions for other risks and obligations	173.6	–1.5	172.1	1.9	–0.8	1.8	169.2
Debt and other financial liabilities	36.4	–34.6	1.8	–48.7	–0.1	0.3	50.3
Other differences	27.3	–2.2	25.1	–8.5	–	1.5	32.1
Allowable tax credits	11.6	–	11.6	1.5	–	0.3	9.8
Tax losses carried forward and limitation of interest deduction	297.2	–	297.2	65.1	–8.6	–0.4	241.1
Valuation allowance	–297.5	–	–297.5	–53.3	9.8	30.4	–284.4
Deferred taxes (before offsetting)	**678.3**	**–466.0**	**212.3**	**–23.0**	**0.1**	**6.0**	229.2
Offsetting (IAS 12.74)	–409.0	409.0	0.0				–

€ million	December 31, 2021						December 31, 2020
	Deferred tax assets	Deferred tax liabilities	Net	Recognized in profit or loss	Recognized in equity	Recognized in other comprehensive income	Net
Net deferred taxes	**269.3**	**–57.0**	**212.3**				229.2

Deferred taxes are measured in accordance with IAS 12 Income Taxes at the tax rate applicable for the periods in which they are expected to be realized.

Deferred tax assets were up by a total of €3.3 million at €269.3 million (previous year: €266.0 million). This is mainly attributable to a €56.1 million increase in the tax losses carried forward and limitation of interest deduction and an opposing effect of €47.3 million in the deferred tax assets for employee benefits. The drop in deferred tax assets for employee benefits is primarily the result of increased interest when calculating pension provisions.

Deferred tax liabilities increased by €20.2 million year on year to €57.0 million (previous year: €36.8 million). This was principally caused by a €12.6 million increase in the deferred tax liabilities for property, plant, and equipment and a €34.3 million increase in deferred tax liabilities included in debt. The key drivers of this increase are new leases following the spin-off. The increase in deferred tax liabilities is attributable to the circumstances described above as well as offsetting against deferred tax assets.

As at December 31, 2021, the carried-forward corporation-tax losses in Germany and abroad amounted to €1,352.7 million (previous year: €1,083.7 million). Of these losses, €1,035.8 million (previous year: €733.4 million) did not have any deferred tax assets recognized for them as at December 31, 2021. Under current laws, the large majority of tax losses carried forward within the Group can be carried forward without time or amount restrictions. Carried-forward losses totaling €510.5 million (previous year: €498.0 million) will expire within the next seven years if they are not used.

Valuation allowances were up by a total of €13.1 million at €297.5 million (previous year: €284.4 million). The main factors in this consist of €30.2 million from allowances for deferred tax assets in Germany and €12.9 million from allowances for deferred tax assets in Hungary. In Germany, the stated amount is made up of €60.2 million from allowances for deferred tax assets recognized through profit or loss and an opposing effect of –€30.0 million from the deferred tax assets recognized as equity. The valuation allowances for deferred tax assets in Romania was reversed by an amount of €29.7 million due to the effects of items in previous years.

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

€ million	December 31, 2021	December 31, 2020
Temporary differences	–74.1	–71.8
Tax losses carried forward and limitation of interest deduction	–223.4	–212.6
Total unrecognized deferred tax assets	**–297.5**	**–284.4**

As at December 31, 2021, some Group companies and tax groups that reported a loss in the current or previous year recognized total deferred tax assets of €74.5 million (previous year: €32.9 million), which arose from current losses, tax losses carried forward, and a surplus of deferred tax assets. Given that future taxable income is expected, it is sufficiently probable that these deferred tax assets can be realized.

Deferred tax liabilities were not recognized for the taxable temporary differences from retained profits from Group subsidiaries, which were €65.4 million (previous year: €41.6 million). This is because the profits cannot be distributed within the foreseeable future.

20. OTHER FINANCIAL ASSETS

	December 31, 2021		December 31, 2020	
€ million	**Current**	**Noncurrent**	Current	Noncurrent
Amounts receivable from related parties	3.8	1.9	33.5	1.8
Loans to third parties	–	4.8	–	5.2
Amounts receivable from employees	2.4	–	2.9	–
Other amounts receivable	57.4	12.0	29.2	–
Other financial assets	**63.6**	**18.7**	**65.6**	**7.0**

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

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

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

In particular, other amounts receivable include as-yet unutilized investment subsidies for research and development costs and amounts receivable from suppliers. The carrying amounts of the other financial assets are primarily their fair values.

Please see chapter 31 (Financial Instruments) for information on the default risks in relation to other financial assets.

21. OTHER ASSETS

	December 31, 2021		December 31, 2020	
€ million	**Current**	**Noncurrent**	Current	Noncurrent
Tax-refund claims (incl. VAT and other taxes)	343.5	–	291.2	–
Trade receivables from the sale of customer tools	56.2	–	68.4	–
Prepaid expenses	34.7	–	21.6	–
Miscellaneous	35.6	8.3	22.6	5.8
Other assets	**470.0**	**8.3**	**403.8**	**5.8**

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

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

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

Among other things, the “miscellaneous” item includes other deferred or advanced costs.

Impairment totaling €0.2 million (previous year: €0.0 million) was recognized for the probable default risk on other assets.

22. INVENTORIES

€ million	**December 31, 2021**	December 31, 2020
Raw materials and supplies	482.2	272.2
Work in progress	112.7	134.6
Finished goods and merchandise	210.8	155.0
Inventories	**805.7**	**561.8**

Write-downs recognized on inventories increased by €12.0 million to €132.3 million (previous year: €120.3 million).

23. TRADE RECEIVABLES

€ million	**December 31, 2021**	December 31, 2020
Trade receivables	1,536.2	1,999.6
Allowances for doubtful accounts	–17.3	–16.0
Trade receivables	**1,518.9**	**1,983.6**

The carrying amounts of the trade receivables, net of allowances for doubtful accounts, are their fair values. Please see chapter 31 (Financial Instruments) for information on the default risks in relation to trade receivables.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all liquid funds and demand deposits. Cash equivalents are short-term, highly liquid financial investments that can be readily converted into known cash amounts and are subject to an insignificant risk of changes in value. As at the end of the reporting period, cash and cash equivalents amounted to €614.0 million (previous year: €255.0 million). Of that, €601.0 million (previous year: €236.6 million) was available without restrictions.

For information on the interest-rate risk and the sensitivity analysis for financial assets and liabilities, please see chapter 31 (Financial Instruments).

25. EQUITY

Number of shares outstanding	2021	2020
As at Jan. 1	**n. a.**	**n. a.**
Change in the period	40,021,196	n. a.
As at Dec. 31	**40,021,196**	**n. a.**

The subscribed capital of Vitesco Technologies Group AG came to €100,052,990.00 as at the end of the reporting period and was divided into 40,021,196 no-par-value registered shares with a notional value of €2.50 per share. Each share grants a voting right of the same proportion as the profit entitlement and has a dividend entitlement of an equal amount.

The equity of the Vitesco Technologies Group as at December 31, 2020 was reported by Continental AG as combined equity due to the spin-off planned for September 2021. At the time of the spin-off, the invested equity attributable to Continental was classified as €100.1 million of subscribed capital, €4,555.2 million of capital reserves, and –€1,598.7 million of retained earnings.

The subscribed capital had previously amounted to €50,000 when Vitesco Technologies Group AG was established in December 2019. Based on the spin-off agreement dated September 15, 2021, Continental AG transferred to Vitesco Technologies Group AG its interests in Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, at an amount of €2,381.3 million, Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, Regensburg (previously Hanover), at an amount of €2,273.8 million, Vitesco Technologies 1. Verwaltungs GmbH, Regensburg (previously Hanover), at an amount of €25,000, and Vitesco Technologies 2. Verwaltungs GmbH, Regensburg (previously Hanover), also at an amount of €25,000. The subscribed capital of Vitesco Technologies Group AG was increased from €50,000 to €100.1 million as part of the capital increase in conjunction with the spin-off.

The excess amount of €4,555.2 million between the carrying amounts for the transferred interests and subscribed capital was classified as capital reserves.

The retained earnings for the Vitesco Technologies Group consisted of the residual amount between the recognized net assets and the sum of the subscribed capital and capital reserves. The retained earnings also include the posttax loss generated by the Vitesco Technologies Group in the 2021 fiscal year.

On June 25, 2021, Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, and Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG, Regensburg, acquired the remaining 3.56% minority interests in Vitesco Technologies, Regensburg from the Continental Group for a purchase price of €121.0 million. The step acquisition was recognized in equity in accordance with IFRS 10 Consolidated Financial Statements.

Under Germany’s Stock Corporation Act, the dividends distributable to the shareholders are based solely on the retained profit of Vitesco Technologies Group AG as at December 31, 2021. A resolution for appropriating profits will not be required at the 2022 Annual General Meeting as the annual financial statements for Vitesco Technologies Group AG recognize retained profit of €0.00.

26. EMPLOYEE BENEFITS

The following table outlines the employee benefits:

	Current		Noncurrent	
€ million	**2021**	2020	**2021**	2020
Pension provisions (unfunded obligations and net liabilities from obligations and related plan assets)	–	–	758.8	794.6
Provisions for other postemployment benefits	–	–	32.1	32.4
Other employee benefits	–	–	75.5	96.6
Short-term employee benefits	244.1	209.6	–	–
Employee benefits	244.1	209.6	866.4	923.6

A net surplus from pension plans after calculating defined-benefit assets led to recognition of an asset of €6.3 million (previous year: €3.8 million).

Pension plans

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

Our pension strategy focuses on switching from defined-benefit to defined-contribution plans in order to offer both employees and the company a sustainable and readily understandable retirement system. Many defined-benefit plans have already been closed for new employees or future service and replaced by defined-contribution plans.

In countries in which defined-contribution plans are not possible for legal or financial reasons, existing defined-benefit plans have been optimized to minimize the associated risks such as longevity, inflation, and salary increases.

Defined-benefit plans

As a result of the spin-off of Vitesco Technologies Group AG, the pension obligations mainly pertain to active employees. This is illustrated in the table below:

	2021	2020
Active employees	23,534	23,664
Former employees[1]	1,220	717
Pensioners and surviving dependents	2,040	744
Total	**26,794**	**25,125**

1) Former employees with vested benefits.

The pension obligations are concentrated on four countries: Germany, the US, Canada, and France. Together, they make up 96.0% of all pension obligations.

The weighted average term of the defined-benefit pension obligations is 23 years. This term is based on the present value of the obligations.

Germany

In Germany, the Vitesco Technologies Group grants pension benefits primarily through an employer-funded cash-balance plan and deferred compensation. To a lesser extent, it also grants benefits through prior commitments. When the insured event occurs, the retirement-plan assets are paid out as a lump-sum benefit, in installments, or as a pension.

The cash-balance plan is partly covered by funds in contractual trust arrangements (CTAs). In Germany, there is no form of legal or regulatory minimum-funding requirements.

Furthermore, the Vitesco Technologies Group supports private contribution through deferred-compensation schemes, which are mainly offered through a multiemployer plan (Höchster Pensionskasse VVaG). The pension-contribution fund guarantees a minimum rate of interest.

United States

The main plans in the US are the Vitesco Technologies Hourly Pension Plan and the Vitesco Technologies Pension Plan. The plans are employer-funded and offer retirement benefits in the form of pension or installment payments. It is also possible to have the amassed capital paid out.

The Vitesco Technologies Group has a few defined-benefit plans in the US which were progressively closed to new employees from April 1, 2005 to December 31, 2011 and are treated as frozen in relation to the addition of further benefits.

Canada

Due to its history of acquisitions, the Vitesco Technologies Group maintains various defined-benefit plans in Canada which are based chiefly on a pension multiplier per year of service within the Company. Earnings of new entitlements have been progressively frozen since December 31, 2015.

France

All employees in France who retire are entitled to a lump sum that is calculated proportionally to their length of service within the Company. The calculation formula for lump-sum retirement payments is defined in the applicable collective agreements.

Other

The “other” column refers to Mexico, India, Italy, South Korea, and Brazil.

Changes in projected benefit obligation

The table below shows the changes in the projected benefit obligation for Germany, the US, Canada, France, and other countries for the Vitesco Technologies Group for the current reporting period:

	Germany		United States		Canada		France		Other		Total	
€ million	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Defined-benefit obligations as at Jan. 1	**849.4**	**696.6**	**35.2**	**37.5**	**81.3**	**82.5**	**23.2**	**21.7**	**43.5**	**46.0**	**1032.6**	**884.3**
Exchange-rate differences	–	–	2.9	–3.2	6.7	–5.5	–	–	0.8	–2.8	10.4	–11.5
Current service cost	57.3	51.3	–	–	–	–	1.2	1.2	3.5	4.6	62.0	57.1
Service cost from plan amendments	–	–	–	–	–	–	–	–	–	–	–	–
Curtailments/settlements	–	–	–	–	–	–	–0.5	–0.2	–	–	–0.5	–0.2
Interest on expected pension obligations	7.2	8.7	0.8	1.1	2.0	2.3	0.2	0.1	1.7	1.5	11.9	13.7
Actuarial gains/losses												
From changes in demographic assumptions	–	–	0.1	0.2	–	–	–	1.1	–	–1.1	0.1	0.2
From changes in financial assumptions	–88.7	84.3	–1.6	3.1	–4.9	6.0	–1.1	–0.5	–1.7	–1.9	–98.0	91.0
From experience-based adjustments	–5.0	–3.2	0.1	–1.3	–	–	–0.2	–	0.7	–0.5	–4.4	–5.0
Other changes	11.4	13.1	1.0	–	–	–0.1	–0.9	0.5	–4.2	0.1	7.3	13.6
Benefit payments	–2.1	–1.4	–1.7	–2.2	–3.9	–3.9	–0.7	–0.7	–3.8	–2.4	–12.2	–10.6
Defined-benefit obligations as at Dec. 31	**829.5**	**849.4**	**36.8**	**35.2**	**81.2**	**81.3**	**21.2**	**23.2**	**40.5**	**43.5**	**1,009.2**	**1,032.6**

The €23.4 million year-on-year decline in the projected benefit obligation results in particular from the increased interest rates in all countries, which outweighed the increase in entitlements for the active plan population in Germany.

Plan assets

The following shows the changes in the plan assets for Germany, the US, Canada, France, and other countries for the Vitesco Technologies Group for the current reporting period:

	Germany		United States		Canada		France		Other		Total	
€ million	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Fair value of plan assets as at Jan. 1	**105.7**	**99.5**	**35.5**	**36.6**	**72.3**	**73.2**	**–**	**–**	**29.7**	**30.0**	**243.2**	**239.3**
Exchange-rate differences	–	–	3.1	–3.4	6.1	–4.9	–	–	0.2	–1.8	9.4	–10.1
Interest income on plan assets	0.9	3.6	0.9	1.2	1.8	2.1	–	–	1.0	1.0	4.6	7.9
Income from plan assets beyond amounts recognized as interest income	4.1	2.6	0.7	3.1	3.7	5.2	–	–	0.6	1.7	9.1	12.6
Employer contributions	1.2	–	–	0.4	0.6	0.8	–	–	3.6	0.9	5.4	2.1
Other changes	0.1	–	0.7	–0.2	–0.3	–0.2	–	–	–4.2	–	–3.7	–0.4
Benefit payments	–	–	–1.7	–2.2	–3.9	–3.9	–	–	–3.5	–2.1	–9.1	–8.2
Fair value of plan assets as at Dec. 31	**112.0**	**105.7**	**39.2**	**35.5**	**80.3**	**72.3**	**–**	**–**	**27.4**	**29.7**	**258.9**	**243.2**

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

	Germany		United States		Canada		France		Other		Total	
€ million	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Defined-benefit obligations	829.5	849.4	36.8	35.2	81.2	81.3	21.2	23.2	40.5	43.5	1,009.2	1,032.6
Fair value of plan assets	112.0	105.7	39.2	35.5	80.3	72.3	–	–	27.4	29.7	258.9	243.2
Funded status[1]	–717.5	–743.7	2.4	0.3	–0.9	–9.0	–21.2	–23.2	–13.1	–13.8	–750.3	–789.4
Asset ceiling	–	–	–	–	–2.2	–1.4	–	–	–	–	–2.2	–1.4
Carrying amounts	–717.5	–743.7	2.4	0.3	–3.1	–10.4	–21.2	–23.2	–13.1	–13.8	–752.5	–790.8
Of which pension provisions	–717.5	–743.7	–0.1	–0.1	–3.8	–11.9	–21.2	–23.2	–16.2	–15.7	–758.8	–794.6
Of which other assets	–	–	2.5	0.4	0.7	1.5	–	–	3.1	1.9	6.3	3.8

1) Difference between plan assets and defined-benefit obligations.

The plan-asset portfolio structure for the pension plans as at the end of the reporting period can be illustrated as follows:

%	Germany		United States		Canada		France		Other	
Asset class	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Equity instruments	11.7	10.0	–	6.8	46.2	42.3	–	–	8.9	10.2
Debt securities	50.8	51.6	99.9	92.5	30.3	38.8	–	–	87.6	89.0
Real estate	6.9	7.3	–	–	–	–	–	–	–	–
Absolute return[1]	–	13.8	–	–	–	–	–	–	–	–
Cash and cash equivalents	0.3	0.9	0.1	0.6	1.8	0.9	–	–	3.5	0.0
Derivative instruments	11.5	–	–	–	–	–	–	–	–	–
Other[2]	18.8	16.5	–	–	21.8	17.9	–	–	–	0.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**–**	**–**	**100.0**	**100.0**

1) This refers to investment products that aim to achieve a positive return regardless of market fluctuations.
2) For example, insurance contracts that guarantee pension payments.

The share of assets that are traded on an active market is 100.0% for stock, 100.0% for fixed-income securities, 100.0% for real estate, 100.00% for cash and cash equivalents, 100.0% for derivatives, and 71.0% for “other.”

Actuarial assumptions

The key assumptions for measuring pension obligations are the discount rate, salary trend, pension trend, and life expectancy. The assumptions underpinning the actuarial measurement of the defined-benefit obligation as at the end of the reporting period can be illustrated as follows:

	Germany		United States		Canada		France		Other	
%	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Discount rate	1.25	0.85	2.80	2.40	2.90	2.40	1.25	0.80	5.09	3.40
Salary trend	3.00	3.00	–	–	–	–	age-dependent	1.78	1.79	2.80
Pension trend	1.75	1.75	–	–	1.60	1.60	–	–	–	–
Life expectancy	Heubeck 2018G	Heubeck 2018G	Pri-2012	Pri-2012	MI-2017	MI-2017	Insee 11-13	Insee 11-13	n. a.	n. a.

Remeasurement of provision

Remeasurement had effects resulting from increases and decreases in the present value of the defined-benefit obligation due to changes in the actuarial assumptions, experience-based adjustments, and the remeasurement of the plan assets' present value. The primary effect that was had on the remeasurement of the provision was triggered by the increased discount rate in all countries.

	Germany		United States		Canada		France		Other		Total	
€ million	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Exchange-rate differences	–	–	1.9	1.2	8.2	0.2	–	–	0.7	2.0	10.8	3.4
Remeasurement effects from:												
Defined-benefit obligations	93.7	–81.1	1.5	–2.1	4.9	–6.0	1.3	–0.6	1.0	3.5	102.4	–86.3
Plan assets	4.1	2.6	0.7	3.1	3.7	5.2	–	–	0.6	1.7	9.1	12.6
Asset ceiling	–	–	–	–	–0.7	–0.5	–	–	–	–	–0.7	–0.5
Total	**97.8**	**–78.5**	**2.2**	**1.0**	**7.9**	**–1.3**	**1.3**	**–0.6**	**1.6**	**5.2**	**110.8**	**–74.2**

Sensitivity analysis

The following sensitivity analysis depicts the effects that potential changes in actuarial assumptions would have on the defined-benefit obligations as at the end of the reporting period. It shows what would happen if one of the above assumptions increased or decreased by 50 basis points while the other assumptions remained constant. Accordingly, this also means that potential correlations between each assumption cannot be reflected in this sensitivity analysis.

	Germany		United States		Canada		France		Other	
€ million	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
0.5% increase										
Discount rate:										
Effects on benefit obligations	–95.9	–103.6	–1.8	–1.9	–4.6	–4.9	–1.2	–1.4	–1.7	–1.9
Pension trend:										
Effects on benefit obligations	19.4	21.7	–	–	4.2	4.2	–	–	0.2	0.2
Salary trend:										
Effects on benefit obligations	0.8	1.3	–	–	–	–	1.3	1.5	1.4	1.6
0.5% decrease										
Discount rate:										
Effects on benefit obligations	113.8	123.7	2.0	2.1	5.1	5.5	1.3	1.5	1.9	2.1
Pension trend:										
Effects on benefit obligations	–17.4	–19.4	–	–	–3.9	–3.8	–	–	–0.2	–0.2
Salary trend:										
Effects on benefit obligations	–3.2	–4.0	–	–	–	–	–1.2	–1.4	–1.3	–1.5
Life expectancy one year longer										
Effects on benefit obligations	27.7	30.9	1.0	1.0	2.7	2.7	–	–	0.3	–

Contributions to plan assets

The following table shows the contributions to the plan assets for the previous and current reporting period as well as the expected deposits for the following year.

€ million	**Germany**	**United States**	**Canada**	**France**	**Other**	**Total**
Cash contributions:						
2020	–	0.4	0.8	–	0.9	2.1
2021	1.2	–	0.6	–	3.6	5.4
2022 (expected)	–	0.1	0.5	–	3.7	4.3

The contributions to plan assets in Germany increase the assets available to cover claims for defined benefits from deferred-compensation schemes, e.g., through reinsurance policies.

Change in net pension costs

The following table shows the composition of the net pension costs included in the income statement:

	Germany		United States		Canada		France		Other		Total	
€ million	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Current service cost	57.3	51.3	–	–	–	–	1.2	1.2	3.5	4.6	62.0	57.1
Service cost from plan amendments	–	–	–	–	–	–	–	–	–	–	–	–
Curtailments/settlements	–	–	–	–	–	–	–0.5	–0.2	–	–	–0.5	–0.2
Interest on expected pension obligations	7.2	8.7	0.8	1.1	2.0	2.3	0.2	0.1	1.7	1.5	11.9	13.7
Interest income on plan assets	–0.9	–3.6	–0.9	–1.2	–1.8	–2.1	–	–	–1.0	–1.0	–4.6	–7.9
Interest expense on the effect of the asset ceiling	–	–	–	–	–	–	–	–	–	–	–	–
Other pension income and expenses	–	–	0.3	0.2	0.3	0.2	–0.2	–	–	–	0.4	0.4
Net pension costs	**63.6**	**56.4**	**0.2**	**0.1**	**0.5**	**0.4**	**0.7**	**1.1**	**4.2**	**5.1**	**69.2**	**63.1**

Benefit payments

€ million	**Germany**	**United States**	**Canada**	**France**	**Other**	**Total**
Benefits paid:						
2020	1.4	2.2	3.9	0.7	2.4	10.6
2021	2.1	1.7	3.9	0.7	3.8	12.2
Expected benefit payments:						
2022	8.3	2.2	4.3	0.7	2.7	18.2
2023	8.9	2.2	4.3	1.1	2.9	19.4
2024	10.3	2.2	4.4	0.9	3.2	21.0
2025	12.3	2.3	4.4	1.1	3.4	23.5
2026	14.2	2.3	4.5	1.7	3.6	26.3
2027 to 2031	98.9	10.7	21.8	6.9	23.0	161.3

Other postemployment benefits

Several subsidiaries, predominantly in the US and Canada, grant their employees healthcare and life-insurance benefits during retirement if certain age and length-of-service requirements are met. Separate plan assets are not held for these obligations. The weighted average duration of the other significant defined postemployment benefits is around 12 years. This term is based on the present value of the obligation. The assumptions used to calculate the obligation vary in line with the circumstances in the US and Canada. The discount factor in the US was set at 2.80% (previous year: 2.40%), whereas in Canada it was 2.90% (previous year: 2.40%). The annual cost-increase rate in the US is 0.00% (previous year: 0.00%) and in Canada 4.00% (previous year: 4.00%).

The defined-benefit obligations during the current reporting period amounted to €32.1 million (previous year: €32.4 million). Its change is based mainly on the change in the discount rate. Net costs add up to €1.0 million, which is €0.2 million lower than the previous year.

The sensitivity analysis shows that a 0.5% increase in the discount rate has a –€1.9 million effect on the defined-benefit obligations. If the discount rate were to decrease by 0.5%, the effect would be +€2.1 million.

The payments for medical benefits during retirement have increased year on year to €1.2 million (previous year: €1.1 million). Payments of €1.7 million are expected for the coming year.

Defined-contribution plans

The Vitesco Technologies Group also provides its employees with a retirement scheme in the form of defined-contribution plans, especially in the US, South Korea, and China. Not including social-security contributions, expenses from defined-contribution pension plans in the current reporting period amounted to €18.2 million (previous year: €13.5 million).

Other long-term employee benefits

Other long-term employee benefits primarily include provisions for early-retirement programs, anniversary and other long-service benefits, and death benefits in Germany and anniversary and other long-service benefits in France. The provisions for partial early retirement are calculated using a discount rate of 0.0% (previous year: 0.00%). Provisions for anniversary and other long-service benefits were calculated using a discount rate of 0.95% (previous year: 0.45%). Furthermore, there is also a deferred-compensation plan in the US where the beneficiary can choose between a one-time payment or monthly disbursement after exiting employment. The provisions during the current reporting period amounted to €110.3 million (previous year: €96.5 million). This item also recognizes the long-term portion of share-based payment (see also chapter 27 Share-Based Payment).

27. SHARE-BASED PAYMENT

The Vitesco Technologies Group grants its Executive-Board members and selected managers variable-remuneration instruments of a long-term nature. These remuneration instruments comprise various long-term bonus commitments (long-term incentive plans, LTI plans) and contributions to the variable remuneration for Executive-Board members (performance-bonus deferral), which were converted into virtual shares in Continental AG and then transferred into virtual shares in Vitesco Technologies Group AG.

The LTI plans include the Long-Term Incentive Plan 2016 to 2019 (LTI 2016 to 2019), the Transformation Incentive Plan 2019 (TIP), and the Vitesco Technologies LTI. All remuneration instruments are classified as cash-settled share-based payment, which means they are accounted for according to IFRS 2 Share-Based Payment based on a measurement of each one as at the end of the reporting period.

The share-based remuneration instruments were adjusted as part of the listing of Vitesco Technologies Group AG on September 16, 2021. The tranche of Continental LTI 2019 was adjusted for members of the Vitesco Technologies Group AG Executive Board. Entitlements under LTI 2018 and LTI 2019 for former Continental employees who are not on the Executive Board of Vitesco Technologies were not adjusted. An adjustment was made to the TIP, which had an assessment period ending on December 31, 2021, in order to compensate for the loss of value suffered by Continental's stock as a result of the spin-off of the Vitesco Technologies Group. The 2020 and 2021 tranches of the Continental LTI plan were transferred to the systems for the Vitesco Technologies LTI based on resolutions of the relevant governing body on June 28 and July 26, 2021 for senior executives and based on a decision by the Supervisory Board on December 10, 2021. Performance-bonus deferrals were converted from Continental stock to Vitesco Technologies stock.

Long-term incentive plans (LTI plans)

Continental Long-Term Incentive Plan 2016 to 2019, featuring tranches LTI 2016, LTI 2017, LTI 2018, and LTI 2019

From 2016 to 2019, senior executives of the Continental Group and members of the Executive Board were granted an LTI bonus. This bonus was intended to allow for participation in the long-term, sustainable increase in the Continental Group's value and profitability. The amount of LTI bonus granted is dependent on a plan participant's job grade and was issued in annual tranches.

The term for the 2016 to 2019 tranches each begin retroactively as of January 1 of the relevant year and lasts four years.

For each beneficiary of an LTI tranche, the Supervisory Board (for the members of the Executive Board) or the Executive Board (for senior executives) of Continental AG specified the amount of a target bonus in euros to be paid out upon 100% target achievement. The actual LTI bonus paid out on expiry of the LTI tranche depends on the degree of target achievement. The scale for determining the degree of target achievement is defined by the Supervisory Board or the Executive Board when the respective LTI tranche is issued. These key details are identical for the members of the Executive Board and senior executives. The degree of target achievement for the first target criterion, "Continental value contribution," can lie between 0% and 200%. Target achievement is calculated on a straight-line basis between 0% and 200%. There is no cap on the second target criterion, "total shareholder return" (TSR). The ultimate degree of target achievement used to calculate the LTI bonus to be paid out is determined by multiplying the two target criteria. The LTI bonus to be paid out is determined by multiplying the degree of target achievement by the target bonus. The LTI bonus can be a maximum of 200% of the target bonus.

A Monte Carlo simulation is used in the measurement of the TSR target criterion. The average expected payment is calculated and discounted based on a large number of simulation paths. A Continental value contribution of 0% is currently expected for the 2018 and 2019 tranches of the LTI plan, for which reason no payment is expected. After the expiry of the 2016 and 2017 tranches in December 2019 and December 2020, bonuses were not paid out in 2020 and 2021 as the fair value of the tranches as at the payment date was €0.0 million.

Reconciliation with Vitesco Technologies Group AG

Vitesco Technologies Group AG has accepted the entitlements of former Continental employees under LTI 2018 and 2019 and not modified them. Only members of the Vitesco Technologies Group AG Executive Board had their entitlements modified, with the contracts signed on March 12, 2021 and September 21, 2021 amending their entitlements under LTI 2019.

In particular, the amendments modified the two target criteria for the affected entitlements under LTI 2019 for members of the Vitesco Technologies Group AG Executive Board. The first target criterion, Continental value contribution, was set at 100%. The basis for calculating the second target criterion, TSR, was set as Continental's stock for the time between the start of the term and the IPO of Vitesco Technologies Group AG and, following that, as the stock of Vitesco Technologies for the time until the term expires. The share price used for calculating the TSR is the arithmetic mean of closing prices in the XETRA trading system from the Frankfurt Stock Exchange (or a successor system) on the trading days in the three months from October to December before the issue and expiry of the LTI tranche.

2019 Transformation Incentive Plan (TIP):

In 2019, the Continental Group offered its senior executives the possibility of participating in the long-term, sustainable increase in the Continental Group’s value by paying a TIP bonus in addition to a fixed salary and annual variable remuneration. The term of the TIP, for which the Executive Board of Continental AG passed a resolution for senior executives on September 2, 2019, runs from October 1, 2019 to December 31, 2021.

The Executive Board of Continental AG specified the amount of the target bonus (TIP bonus) in euros for each beneficiary of a TIP bonus (senior executives). The TIP bonus is calculated based on a certain number of virtual shares of Continental AG (basic holding), which can increase through two bonus packages, multiplied by the payment share price. The payment share price is the arithmetic mean of Continental AG’s closing share prices in the XETRA trading system from the Frankfurt Stock Exchange (or a successor system) on the trading days in the last month prior to the Annual General Meeting that follows the end of the term. The payment share price used to calculate the TIP bonus can be no more than 200% of the initial share price. The TIP bonus is paid to the respective beneficiary as a gross lump sum at the end of the second complete calendar month following the Annual General Meeting that follows the end of the term. Since the basic holding can be increased through two bonus packages, the degree of achievement of two target criteria is decisive for the amount of the TIP bonus. The target criterion of the first bonus package is the results of the OUR BASICS Live corporate survey at Continental AG in 2021. If at least 70% (equally weighted average) of all participants respond positively to the Sustainable Engagement Index, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding. The target criterion of the second bonus package is met if, at the end of the term, the TSR on Continental shares equals or exceeds the performance of the STOXX Europe 600 Automobiles & Parts Index. In this case, the beneficiary receives additional virtual shares equivalent to 50% of the basic holding. The TSR on Continental shares corresponds to the share-price performance as at the end of the term plus all dividends distributed during the term relative to the share price at the beginning of the term. The share price used in calculating the TSR is the arithmetic mean of the closing prices in the XETRA trading system from the Frankfurt Stock Exchange (or a successor system) on the trading days in the first month of the term (“initial share price”) and in the last month of the term (“final share price”).

An adjustment was made to the basic holding of virtual Continental shares and the Continental TSR in the TIP by applying an adjustment factor to compensate for the loss of value suffered by Continental’s stock as a result of the spin-off of the Vitesco Technologies Group.

A Monte Carlo simulation is used in the measurement of stock options. The average expected payment is calculated and discounted based on a large number of simulation paths.

Vitesco Technologies Long-Term Incentive Plan 2020 and 2021 – previously Continental Long-Term Incentive Plan 2020 and 2021 (CLIP)

A new LTI plan was granted for the Executive Board and senior executives of the Continental Group in 2020 and 2021. The term of the LTI plan begins retroactively as of January 1 of the relevant year and lasts for four years for the Executive Board and for three years for senior executives.

For each beneficiary of the CLIP tranches for Executive-Board members in 2020 and 2021, the Supervisory Board of Continental AG agreed an allotment value in euros. This allotment value is divided by the arithmetic mean of Continental's closing share prices in the XETRA trading system from the Frankfurt Stock Exchange (or a successor system) in the last two months prior to the start of the term of the respective LTI plan (issue price) in order to obtain the basic holding of virtual Continental shares.

Two LTI tranches, CLIP 2021 and the Vitesco Technologies LTI 2021, were allotted pro rata for members of the Vitesco Technologies Executive Board in 2021, in accordance with resolutions by the relevant governing body on March 9, 2021, March 12, 2021, March 22, 2021, and October 4, 2021. The values of tranches granted from the Continental LTI were transferred to the systems for the Vitesco Technologies LTI based on resolutions by the relevant governing body on June 28 and July 26, 2021 and the Supervisory Board on December 10, 2021.

For each beneficiary of the Vitesco Technologies LTI for Executive-Board members, the Supervisory Board of Vitesco Technologies Group AG agreed an allotment value in euros. For the 2021 tranche, this allotment value was converted into a basic holding of virtual shares three months after the IPO. The allotment value was divided by the arithmetic mean of Vitesco Technologies' closing share prices in the XETRA trading system from the Frankfurt Stock Exchange in the first three months after the initial listing (issue price).

The Executive Board of Continental AG also allotted senior executives a quantity of virtual Continental shares as part of the CLIP tranches for 2020 and 2021.

When performing the conversion from the Continental LTI plans (for the Executive Board and senior executives), one virtual Vitesco Technologies share was granted for every five shares of basic holding in the relevant Continental LTI plan in line with the subscription ratio of 5:1. Then, the basic holding of virtual Continental shares was multiplied by a Continental price calculated analogously to the Vitesco Technologies issue price and divided by the Vitesco Technologies issue price (in each case as an average for the three months following the initial listing of Vitesco Technologies' stock) in order to obtain the transferred basic holding. The holdings obtained from the subscription ratio and conversion together form the new basic holding of virtual Vitesco Technologies shares.

The basic holding is multiplied by a performance index (PI) in order to determine a final holding of virtual shares. The PI is equivalent to the product of the relative TSR of Vitesco Technologies' stock and a sustainability score. The relative TSR is calculated from the relative performance of the Vitesco Technologies TSR in comparison with the TSR on the STOXX Europe 600 Automobiles & Parts (SXAGR). The Vitesco Technologies TSR is equivalent to the average price of Vitesco Technologies' shares in the last month of the term (final share price) plus all dividends paid during the term in relation to the issue price (as an average for the three months following the initial listing of Vitesco Technologies' stock). The SXAGR TSR is determined using the same method.

The performance criteria and targets for the sustainability score include specifications for carbon emissions and recycling rates and a review of good working conditions for employees of the Vitesco Technologies Group (e.g., based on accident rates, employee satisfaction, and share of women in management roles).

The Vitesco Technologies LTI can be a maximum of 200% of the allotment value agreed in the relevant service agreement (for Executive-Board members) or of the product of the basic holding and the defined issue price (for senior executives). The final holding of virtual shares is multiplied by the payment share price in order to determine the gross amount of the LTI to be paid out in euros (hereinafter "payout amount"). The payment ratio is the arithmetic mean of Vitesco Technologies' closing share prices in the XETRA trading system from the Frankfurt Stock Exchange (or a successor system) on the trading days in the last two months prior to the next ordinary Annual General Meeting that follows the end of the term of the LTI plan plus the dividends paid out during the term.

A Monte Carlo simulation is used in the measurement of stock options. The average expected payment is calculated and discounted based on a large number of simulation paths.

Performance bonus (short-term incentive [STI] deferral) 2019 to 2020

As part of the short-term variable remuneration, directors previously had one-third of their gross annual bonus converted into virtual shares in Continental AG based on an average share price up until the time of the IPO of Vitesco Technologies Group AG (initial value). Once there has been a holding period of three years starting from the fiscal year for which the relevant bonus was granted, the value of the virtual shares is calculated based on an average share price plus dividends (total value). The total value is limited to a maximum of 200% of the initial value.

No new entitlements have been granted for the time after the IPO of Vitesco Technologies Group AG. Existing entitlements from this remuneration instrument were converted to virtual shares in Vitesco Technologies Group AG during the fiscal year.

The quantity of virtual shares in Continental AG was multiplied by the sum of the arithmetic mean of Continental AG's closing share prices in the three months before the IPO of Vitesco Technologies Group AG and the dividend payments of Continental AG during the term, then divided by the arithmetic mean of the closing prices of Vitesco Technologies' shares in the three months after the IPO. A cap of 200% of the initial value is applied during the conversion.

Fair values and expense

The fair values of the tranches granted in the 2021 fiscal year as at the grant date, assuming full vesting, were €7.1 million for the Continental LTI 2021 – 2023 (converted) for senior executives, as well as €0.2 million for the Continental LTI 2021 – 2024 (converted) and €0.5 million for the Vitesco Technologies LTI 2021 – 2024 for Executive-Board members.

The existing tranches were generally converted from shares in Continental AG to shares in Vitesco Technologies Group AG without impacting their value. This did not apply to the fair value of the tranche for the 2019 LTI (converted) which increased from €0.0 million to €1.2 million during conversion, based on an assumption of full vesting.

The following table shows the changes in the fair value of the tranches and the degree of vesting as well as the expense from changes in provisions and payments:

	Fair value, in € million		Proportion recognized in provision, as a %		Expense, in € million	
	Dec. 31, 2021	**Dec. 31, 2020**	**Dec. 31, 2021**	**Dec. 31, 2020**	**2021**	**2020**
Executive Board[1]						
LTI 2018 (Executive Board)	–	–	100.0	75.0	–	–
LTI 2019 (converted)	1.2	n. a.	40.2	n. a.	0.5	n. a.
Continental LTI 2020 – 2023 (converted)	0.5	0.6	50.0	25.0	0.1	0.2
Continental LTI 2021 – 2024 (converted)	0.2	n. a.	25.0	n. a.	0.1	n. a.
Vitesco Technologies LTI 2021 – 2024	0.5	n. a.	16.7	n. a.	0.1	n. a.
Performance bonus, STI deferral 2019	0.1	0.2	100.0	100.0	–0.1	0.2
Performance bonus, STI deferral 2020	0.1	n. a.	100.0	n. a.	0.1	n. a.
Senior executives						
LTI 2016 (unconverted)	n. a.	n. a.	n. a.	n. a.	n. a.	–
LTI 2017 (unconverted)	n. a.	–	n. a.	100.0	–	–
LTI 2018 (unconverted)	–	–	100.0	75.0	–	–
LTI 2019 (unconverted)	–	–	75.0	50.0	–	–
TIP	2.7	4.0	100.0	55.6	0.5	1.8
Continental LTI 2020 – 2022 (converted)	7.4	10.8	66.7	33.3	1.4	3.6
Continental LTI 2021 – 2023 (converted)	7.2	n. a.	33.3	n. a.	2.4	n. a.
Total	**19.9**	**15.6**	**55.8**	**39.6**	**5.1**	**5.8**

1) Executive Board and former directors prior to the spin-off.

Target achievement was 0% for both the LTI 2016 and LTI 2017 tranches, which meant that payments were not made under the LTI plans in the 2020 and 2021 fiscal years.

Measurement assumptions

The following parameters were used as at the measurement date of December 31, 2021:

	Discount rate, as a %	Historic volatility, as a %	Historic correlation, as a %	Achievement of internal target criterion, as a %
Plan	**Dec. 31, 2021**	**Dec. 31, 2021**	**Dec. 31, 2021**	**Dec. 31, 2021**
Executive Board[1]				
LTI 2018 (Executive Board)	–0.8	n. a.	n. a.	0.0
LTI 2019 (converted)	–0.7	35.8	n. a.	100.0
Continental LTI 2020 – 2023 (converted)	–0.7	43.3	80.2	100.0
Continental LTI 2021 – 2024 (converted)	–0.6	40.0	80.2	100.0
Vitesco Technologies LTI 2021 – 2024	–0.6	40.0	81.1	100.0
Performance bonus, STI deferral 2019	–0.7	36.1	n. a.	n. a.
Performance bonus, STI deferral 2020	–0.7	43.3	n. a.	n. a.
Senior executives				
LTI 2016 (unconverted)	n. a.	n. a.	n. a.	n. a.
LTI 2017 (unconverted)	n. a.	n. a.	n. a.	n. a.
LTI 2018 (unconverted)	–0.8	n. a.	n. a.	0.0
LTI 2019 (unconverted)	–0.7	30.4	n. a.	0.0
TIP	–0.8	32.9	n. a.	0.0[2]
Continental LTI 2020 – 2022 (converted)	–0.7	36.1	64.8	100.0
Continental LTI 2021 – 2023 (converted)	–0.7	43.3	80.2	100.0

1) Executive Board and former directors prior to the spin-off.
2) For second bonus package.

The discount rates are based on the yield curve for government bonds and the remaining term of each tranche of the plan. Historic volatilities and correlations are calculated using the closing prices in XETRA for Vitesco Technologies' shares and the benchmark index based on the respective remaining term for the tranches. Where this involves periods prior to the IPO of Vitesco Technologies Group AG, the development of Continental's shares is used as a basis.

Dividend payments were recognized as the arithmetic mean based on publicly available estimates for 2022 to 2024. For the LTI plans transferred as part of the IPO of Vitesco Technologies Group AG, the dividends paid by Continental AG of €3.00 per share in 2020 and of €4.75 per share in 2019 were incorporated into the calculations. There was no dividend paid in 2021.

28. PROVISIONS FOR OTHER RISKS AND OBLIGATIONS

	Dec. 31, 2021		Dec. 31, 2020	
€ million	**Current**	**Noncurrent**	Current	Noncurrent
Restructuring provisions	61.4	259.8	61.8	299.5
Litigation and environmental risks	11.1	6.1	8.6	2.6
Warranties	331.6	–	293.2	27.5
Other provisions	100.4	7.2	76.4	10.3
Provisions for other risks and obligations	**504.5**	**273.1**	**440.0**	**339.9**

The provisions for other risks developed as follows:

€ million	**Restructuring provisions**	**Litigation and environmental risks**	**Warranties**	**Other provisions**
As at Jan. 1, 2021	**361.3**	**11.2**	**320.7**	**86.7**
Additions	3.4	16.8	212.0	98.5
Utilizations	–27.4	–10.4	–80.4	–60.2
Net changes in the scope of consolidation	–0.8	–	–1.9	–
Reversals	–17.9	–0.6	–130.0	–20.1
Interest	–	–	–	–
Exchange-rate changes	2.6	0.2	11.2	2.7
As at Dec. 31, 2021	**321.2**	**17.2**	**331.6**	**107.6**

The utilization of restructuring provisions relates to the implementation of restructuring measures adopted in previous years and incorporated for the first time in 2020 (until 2028) in the Sensing & Actuation and Electronic Controls segments.

The additions to the provisions for litigation and environmental risks relate in particular to risks in connection with disputes over industrial property rights and in connection with the Group-separation agreement for the exercise of explicitly provided rights. Please refer to chapter 37 (Contingent Liabilities and Other Financial Obligations).

The changes in provisions for warranties, which comprise general and specific warranty provisions, include utilization of €80.4 million (previous year: €191.2 million) and reversals of €130.0 million (previous year: €54.3 million), which are offset by additions of €212.0 million (previous year: €215.0 million), in particular for specific cases and general warranties.

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

29. INCOME-TAX PAYABLES

Income-tax liabilities developed as follows:

€ million	2021	2020
As at Jan. 1	**86.8**	**114.6**
Additions	78.5	85.4
Utilizations and advance payments for the current fiscal year	–68.0	–86.0
Reversals	–15.8	–19.9
Exchange-rate changes	1.7	–7.3
As at Dec. 31	**83.2**	**86.8**

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

30. DEBT AND ADDITIONAL NOTES TO THE STATEMENT OF CASH FLOWS

	December 31, 2021			December 31, 2020		
€ million	**Total**	**Current**	**Noncurrent**	Total	Current	Noncurrent
Bank loans and overdrafts	–	–	–	30.7	30.7	–
Derivative instruments	24.4	24.4	–	1.4	1.4	–
Lease liabilities	244.5	45.4	199.1	220.6	39.3	181.3
Other debt	–	–	–	617.5	617.5	–
Debt	**268.9**	**69.8**	**199.1**	**870.2**	**688.9**	**181.3**

The Vitesco Technologies Group had access to current derivative financial instruments and interest-bearing investments of €1,020.9 million, less other debt of €617.5 million, as part of financing arrangements through the Continental Group as at December 31, 2020. The current derivative instruments and interest-bearing investments as well as other debt were redeemed before the spin-off in the third quarter of 2021.

Credit lines and available financing from banks

Bank credit lines, available for financing and/or guarantees from banks as at December 31, 2021 amounted to €115.3 million (previous year: €246.1 million). A nominal amount of €81.8 million (previous year: €215.4 million) of the credit lines was unused as at the end of the reporting period.

Vitesco Technologies Group AG and Vitesco Technologies GmbH, Regensburg obtained a credit facility on March 24, 2021 with two revolving tranches for a total credit amount of €1,000.0 million. This framework credit agreement consists of a core credit facility of €750.0 million and an incremental, revolving credit facility of €250.0 million. The credit facilities are being used as finance for general corporate purposes. The credit agreements are secured with an extensive colleteral package comprising of share pledges over all shares in Vitesco Technologies GmbH and every material subsidiary, pledges of bank accounts, and assignment of intercompany receivables. The credit agreements have an initial term of three years, with options to extend by a maximum of two years, and include specific covenants, obligations, and termination rights. The revolving credit facility was unused as at the end of the reporting period.

Please see chapter 31 (Financial Instruments) for the maturity structure of the debt.

Additional notes to the statement of cash flows

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

		Cash	Noncash					
€ million	**Dec. 31, 2021**		**Exchange-rate changes**	**Reclassifications**	**Changes in fair value**	**Changes in the scope of consolidation**	**Other[1]**	Dec. 31, 2020
Change in derivative instruments and interest-bearing investments	–1,004.3	–	25.5	–	14.4	–	–1,064.0	19.8
Change in short-term debt	–588.5	86.3	–6.6	10.6	–23.0	–	–599.3	–56.5
Change in long-term debt	17.8	–18.6	–9.3	–10.6	–	–	148.1	–91.8

1) Including effects for financial transactions with the Continental Group.

		Cash	Noncash					
€ million	**Dec. 31, 2020**		**Exchange-rate changes**	**Reclassifications**	**Changes in fair value**	**Changes in the scope of consolidation**	**Other**	Dec. 31, 2019
Change in derivative instruments and interest-bearing investments	19.8	–5.7	–2.6	–	1.5	–	–	26.6
Change in short-term debt	–56.5	16.1	1.9	–16.1	–1.4	–	–13.0	–44.0
Change in long-term debt	–91.8	–	3.0	16.1	–	–	–33.1	–77.8

31. FINANCIAL INSTRUMENTS

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

€ million	Measurement category in acc. with IFRS 9	Carrying amount as at Dec. 31, 2021	Fair value as at Dec. 31, 2021	Of which Level 1	Of which Level 2	Of which Level 3
Other investments	FVOCIwoR	23.8	23.8	–	–	23.8
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	19.9	19.9	–	19.9	–
Debt instruments	FVPL	14.4	14.4	–	14.4	–
Debt instruments	at cost	6.6	6.6	–	–	–
Trade receivables						
Trade receivables	at cost	1,427.5	1,427.5	–	–	–
Bank drafts	FVOCIwR	91.4	91.4	–	91.4	–
Other financial assets	at cost	82.3	82.3	–	–	–
Cash and cash equivalents	at cost	614.0	614.0	–	–	–
Financial assets		**2,279.9**	**2,279.9**	**–**	**125.7**	**23.8**
Debt excluding lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	24.4	24.4	–	24.4	–
Trade payables	at cost	1,958.2	1,958.2	–	–	–
Other financial liabilities	at cost	212.4	212.4	–	–	71.5
Financial liabilities excluding lease liabilities		**2,195.0**	**2,195.0**	**–**	**24.4**	**71.5**
Aggregated according to categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		91.4				
Financial assets (FVOCIwoR)		23.8				
Financial assets (FVPL)		34.3				
Financial assets (at cost)		2,130.4				
Financial liabilities (FVPL)		24.4				
Financial liabilities (at cost)		2,170.6				

€ million	Measurement category in acc. with IFRS 9	**Carrying amount as at Dec. 31, 2020**	**Fair value as at Dec. 31, 2020**	Of which Level 1	Of which Level 2	Of which Level 3
Other investments	FVOCIwoR	15.2	15.2	–	–	15.2
Derivative instruments and interest-bearing investments						
Derivative instruments not accounted for as effective hedging instruments	FVPL	4.5	4.5	–	4.5	–
Debt instruments	FVPL	11.2	11.2	–	11.2	–
Debt instruments	at cost	1,029.5	1,029.5	–	–	–
Trade receivables						
Trade receivables	at cost	1,911.5	1,911.5	–	–	–
Bank drafts	FVOCIwR	72.1	72.1	–	72.1	–
Other financial assets	at cost	72.6	72.6	–	–	–
Cash and cash equivalents	at cost	255.0	255.0	–	–	–
Financial assets		**3,371.6**	**3,371.6**	**–**	**87.8**	**15.2**
Debt excluding lease liabilities						
Derivative instruments not accounted for as effective hedging instruments	FVPL	1.4	1.4	–	1.4	–
Other debt	at cost	648.2	648.2	–	–	–
Trade payables	at cost	2,215.5	2,215.5	–	–	–
Other financial liabilities	at cost	106.0	106.0	–	–	–
Financial liabilities excluding lease liabilities		**2,971.1**	**2,971.1**	**–**	**1.4**	**–**
Aggregated according to categories as defined in IFRS 9:						
Financial assets (FVOCIwR)		72.1				
Financial assets (FVOCIwoR)		15.2				
Financial assets (FVPL)		15.7				
Financial assets (at cost)		3,268.6				
Financial liabilities (FVPL)		1.4				
Financial liabilities (at cost)		2,969.7				

Abbreviations

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

Levels of the fair-value hierarchy under IFRS 13:

>Level 1: quoted prices in active markets for identical instruments

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

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

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

Please see chapter 18 (Other Investments) for information on the changes in carrying amounts of other investments. For reasons of materiality, there is no need for a sensitivity analysis.

The measurement methods used for derivative financial instruments are explained in chapter 2 (General Information and Accounting Principles) of the notes.

Trade receivables and payables, debt instruments measured at cost, other financial assets and liabilities measured at cost, and cash and cash equivalents generally have short remaining maturities. As a result, the carrying amounts as at the end of the reporting period are, as a rule, approximately their fair values and are not shown in the fair-value hierarchy in the table. The fair value of the debt instruments accounted for at fair value is provided by external valuators. The fair values of notes receivable are calculated by discounting all future cash flows by the applicable rates for the corresponding time to maturity and factoring in a company-specific credit spread. The other financial liabilities are measured at level 3 as the contractual payments based on the Group-separation agreement with the Continental Group are not underlaid by any external market data. The management’s best estimate possible based on experience with similar transactions and expert opinions were used for reference.

The Group recognizes possible reclassifications between the different levels of the fair-value hierarchy as at the end of the reporting period in which a change occurred. In 2021, as in the previous year, there were no transfers between the different levels of the fair-value hierarchy.

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

	Net gains and losses from interest		Other net gains and losses		Total net gains and losses	
€ million	**2021**	2020	**2021**	2020	**2021**	2020
Financial assets (at cost)	9.8	15.7	7.2	3.8	17.0	19.5
Financial assets and liabilities (FVPL)	3.0	0.2	–4.8	4.9	–1.8	5.1
Financial liabilities (at cost)	–11.8	–15.6	5.7	–16.0	–6.1	–31.6

Interest income and expense from financial instruments is reported in chapter 11 (Finance Income).

Collateral

As at December 31, 2021, a total of €3.5 million of other financial assets (previous year: €4.0 million) was used as collateral primarily for construction projects in Hungary.

Risk management of financial instruments

Due to its international business activities and the resulting financing requirements, the Vitesco Technologies Group is exposed to default risks, risks from changes in exchange and interest rates, and liquidity risk. The management of these risks is described in the following sections.

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

Further information about the risks presented below and about risk management can be found in the risk and opportunity report within the combined management report.

Default risks

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

Default risk for nonderivative financial receivables is also limited by ensuring that agreements are entered into with partners with proven creditworthiness only or that collateral is provided or, in individual cases, trade credit insurance is agreed. There were no holdings of collateral within the Group as at December 31, 2021. There are no trade receivables or contract assets for which an impairment loss was not recognized due to collateral held.

However, default risk cannot be excluded with absolute certainty, and any remaining risk is addressed by recognizing expected credit losses for identified individual risks and on the basis of experience, taking account of any relevant future components. Financial assets that are neither past due nor impaired accordingly have a prime credit rating. Default risks are calculated on the basis of Group-wide standards. The methods used for calculating valuation allowances are explained in chapter 2 (General Information and Accounting Principles) of the notes.

Trade receivables and contract assets

If the creditworthiness of receivables is impaired, corresponding expenses are recognized in an allowance account.

Lifetime expected credit losses are largely calculated using estimates and assessments based on the creditworthiness of the respective customer, current economic developments, and the analysis of historical losses on receivables. The creditworthiness of a customer is assessed on the basis of its payment history and its ability to make payments. There is a regular review to see if there is any need to take account of risks in connection with different customer categories, sectors, or countries. No such allocation of default risk was required in 2021.

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

The table below shows the gross carrying amounts as at December 31, 2021, for trade receivables and contract assets whose creditworthiness was not impaired[1]:

€ million	**Dec. 31, 2021**	Dec. 31, 2020
Not overdue	1,384.1	1,861.3
0 – 29 days	69.3	121.0
30 – 59 days	23.9	18.7
60 – 89 days	12.9	5.9
90 – 119 days	7.6	2.2
120 days or more	21.3	18.7
As at Dec. 31	**1,519.1**	**2,027.8**

1) The difference of €18.3 million (previous year: €17.2 million) from the tables in chapters 6 and 23 results from trade receivables and contract assets whose creditworthiness was impaired.

In the reporting period, lifetime expected credit losses and valuation allowances for trade receivables and contract assets whose creditworthiness was impaired developed as follows:

€ million	**2021**	2020
As at Jan. 1	**16.0**	**5.5**
Additions	12.1	15.5
Utilizations	–2.3	–2.1
Reversals	–8.9	–2.6
Exchange-rate changes	0.4	–0.3
As at Dec. 31	**17.3**	**16.0**

As at December 31, 2021, allowances for trade receivables whose creditworthiness was impaired amounted to €12.2 million (previous year: €13.5 million).

Other financial assets

As in the previous year, there was no significant impairment of other financial assets. Accordingly, there was no form of other financial assets that was impaired and subject to enforcement measures.

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

In order to minimize the default risk for cash and cash equivalents, derivative instruments, and interest-bearing investments, the Vitesco Technologies Group generally uses banks that it has classified as core banks on the basis of defined criteria. As a general rule, these banks should have at least one investment-grade credit rating from one of the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the core banks – and of other banks and other business partners with which investments are made, loans are granted, or derivative instruments are traded when the core-bank principle is not applied for operational or regulatory reasons – is continuously monitored by tracking not only their credit ratings but also particularly the premiums for insuring against credit risks (credit-default swap, CDS), provided such information is available. In addition, the Vitesco Technologies Group sets investment limits for each bank and trading limits for derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank. Compliance with these limits is continuously monitored. As in the previous year, the expected credit losses from cash and cash equivalents and other interest-bearing investments measured at amortized cost are not significant.

Currency management

The international nature of the Group's business activities results in deliveries and payments in various currencies. This gives rise to a foreign-exchange risk where assets denominated in a depreciating currency lose value. In parallel with that, liabilities denominated in an appreciating currency grow more expensive. For hedging, it is allowed to use only derivative instruments that have been defined in Group-wide policies and can be reported and measured in the risk-management system. It is generally not permitted to use financial instruments that do not meet these criteria.

Operational foreign-currency risk

In operational currency management, actual and expected foreign-currency cash flows are combined as operational foreign-exchange exposures in the form of net cash flows for each transaction currency on a rolling twelve-month basis. These cash flows arise mainly from receipts and payments from external and intercompany transactions by the Group's subsidiaries worldwide. Hedge accounting was not used in the reporting period or in the previous year for hedges that had been concluded. Derivative financial instruments existed as at December 31, 2021 in order to hedge against operational foreign-currency risks; they amounted to €132.6 million (previous year: –).

As at December 31, 2021, the net exposure from financial instruments that are denominated in a currency other than the functional currency of the respective subsidiary and are not allocated to net debt existed in euros and US dollars. The total amounts of this euro and US-dollar exposure and the main local currencies affected are as follows:

	2021
€ million	**EUR**
CZK	59.1
USD	–23.1
CNY	–22.1
Other	–11.8
Total	**2.1**

	2021
€ million	**USD**
EUR	43.1
KRW	–41.0
CNY	–30.1
Other	–10.9
Total	**–38.9**

	2020
€ million	EUR
CNY	33.6
THB	–28.0
MXN	–17.5
Other	–20.8
Total	**–32.7**

	2020
€ million	USD
CNY	–53.2
EUR	45.5
KRW	–22.8
Other	4.6
Total	**–25.9**

Of these amounts, the positive values constitute net receivables and the negative values net liabilities.

Financial foreign-currency risks

In addition to operational foreign-currency risk, currency risks also result from the Group's internal net debt that is denominated in a currency other than the functional currency of the respective subsidiary. The quantity of these instruments is regularly summarized in the form of a financial foreign-currency exposure for each transaction currency. The net exposure as at December 31, 2021 consisted of euros and US dollars. The total amounts of this euro and US-dollar exposure and the main local currencies affected are as follows:

	2021
€ million	EUR
RON	39.7
THB	5.1
CNY	3.7
Other	0.2
Total	**48.7**

	2021
€ million	USD
EUR	65.2
CNY	4.4
MXN	–1.7
Other	0.2
Total	**68.1**

	2020
€ million	EUR
CZK	–439.2
RON	–114.0
KRW	110.1
Other	36.5
Total	**–406.6**

	2020
€ million	USD
EUR	90.1
MXN	–28.3
CNY	21.2
Other	9.3
Total	**92.3**

Of these amounts, the positive values constitute net receivables and the negative values net liabilities. These currency risks are generally hedged against through the use of derivative instruments, particularly currency forwards and currency swaps. The Group does not normally hedge its net foreign investment against fluctuation in exchange rates.

Hedging against financial foreign-currency risks without using hedge accounting

As at December 31, 2021, there are derivative instruments for hedging against financial foreign-currency risks from intercompany receivables and liabilities. Hedge accounting is not used for these instruments, hence their assignment to the measurement category FVPL. Corresponding currency forwards and currency swaps are reported as at December 31, 2021 in the statement of financial position under the item “current derivative instruments and interest-bearing investments” in the amount of €19.9 million (previous year: €4.5 million) and under the item “current financial liabilities” in the amount of €24.4 million (previous year: €1.4 million). Their nominal volume comes to €1,124.4 million as at December 31, 2021 (previous year: €228.1 million).

Translation-related foreign-currency risks

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

Sensitivity analysis

IFRS 7, Financial Instruments: Disclosures, requires a presentation of the effects of hypothetical changes in exchange rates on income and equity using a sensitivity analysis. In the Vitesco Technologies Group, the changes in the exchange rates are related to all financial instruments outstanding as at the end of the reporting period, including the effects of hedges. Forecast transactions and translation-related foreign-currency risks are not included in the sensitivity analysis. For those financial instruments with transaction currencies that differ from the functional currencies, a 10% appreciation or depreciation of the respective functional currency of the subsidiaries in relation to the identified different transaction currencies is assumed to determine the sensitivities. Hedging transactions are valued on the basis of a 10% percent change in the underlying forward or spot rates from the perspective of the local currency of the hedging Group company. The following table shows, before income-tax expense, the overall effect as measured using this approach, as well as the individual effects resulting from the euro and the US dollar – the major transaction currencies – on the difference from currency translation and from financial instruments in equity and on net income.

	2021		2020	
€ million	**Equity**	**Net income**	Equity	Net income
Local currency +10%				
Total	**–**	**–87.5**	**–**	**65.9**
Of which EUR	–	27.6	–	55.0
Of which USD	–	–6.3	–	2.4
Local currency –10%				
Total	**–**	**87.5**	**–**	**–65.9**
Of which EUR	–	–27.6	–	–55.0
Of which USD	–	6.3	–	–2.4

Interest-rate management

Variable interest agreements and, in principle, short-term financial instruments result in a risk of rising interest rates for interest-bearing financial liabilities and falling interest rates for interest-bearing financial investments. These interest-rate risks are valuated and assessed as part of our interest-rate management activities, partly on the basis of continuous monitoring of current and anticipated long-term and short-term interest-rate developments, and are managed by means of derivative interest-rate hedging instruments as needed. The Group’s interest-bearing net debt is the subject of these activities based on the reporting date. Interest-rate hedges serve exclusively to manage identified interest-rate risks. Once a year, a range is determined for the targeted share of fixed-interest debt in relation to total gross debt. As in the previous year, there were no derivative instruments for hedging against interest-rate risks as at December 31, 2021. The Vitesco Technologies Group is not exposed to a risk of fluctuation in the fair value of noncurrent financial liabilities due to market changes in fixed interest rates, as the lenders do not have the right to demand early repayment in the event of changing rates and these liabilities are recognized at amortized cost.

Interest-rate risk

The profile of interest-bearing financial instruments allocated to net debt, taking into account the effect of the Vitesco Technologies Group’s derivative instruments, is as follows:

€ million	**2021**	2020
Fixed-interest instruments		
Financial assets	8.9	–
Financial liabilities	244.6	220.6
Floating-rate instruments		
Financial assets	611.0	1,295.9
Financial liabilities	–	648.6

Cash-flow sensitivity analysis

The following table shows the effects an increase or a decrease in interest rates of 100 basis points would have had on the financial result. The effects would essentially result from floating-rate financial instruments. In the scenario in which there is a decrease in the pertinent interest rates, the effects were calculated for individual groups of financial instruments taking account of their contractual arrangement (particularly the interest-rate floors agreed) and based on assumptions with regard to changes in the applicable interest rates for these financial instruments depending on changes in market interest rates. With regard to these assumptions, we consider it realistic, as in the previous year, that only contractually agreed interest-rate floors would limit a decrease in the relevant interest rates. As in the previous year, this analysis is based on the assumption that all other variables, and in particular exchange rates, remain unchanged.

€ million	Interest-rate increase +100 basis points 2021	2020	Interest-rate decline –100 basis points 2021	2020
Total	**6.1**	**6.8**	**–6.1**	**–6.3**
Of which EUR	0.9	2.5	–0.9	–2.7
Of which CNY	2.4	3.2	–2.4	–3.2
Of which USD	0.7	1.7	–0.7	0.8
Of which THB	0.5	0.6	–0.5	–0.3
Of which CAD	0.5	0.5	–0.5	–0.5
Of which other	1.1	–1.7	–1.1	–0.4

Liquidity risks

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

Various marketable financial instruments are used to meet the financial requirements. There are also cash-pooling arrangements with subsidiaries to the extent they are possible and justifiable in the relevant legal and tax situation. If events lead to unexpected financing requirements, the Vitesco Technologies Group can draw upon existing liquidity and comitted credit lines from banks.

The financial liabilities excluding lease liabilities result in the following undiscounted cash outflows over the next five years and thereafter:

Dec. 31, 2021, in € million	Up to 1 year's time to maturity	From 1 to 5 years' time to maturity	More than 5 years' time to maturity	**Total**
Other debt incl. interest payments	–	–	–	**–**
Derivative instruments	24.4	–	–	**24.4**
Trade payables	1,958.2	–	–	**1,958.2**
Other financial liabilities	205.1	7.3	–	**212.4**
Dec. 31, 2020, in € million	Up to 1 year's time to maturity	From 1 to 5 years' time to maturity	More than 5 years' time to maturity	**Total**
Other debt incl. interest payments	648.3	–	–	**648.3**
Derivative instruments	1.4	–	–	**1.4**
Trade payables	2,215.5	–	–	**2,215.5**
Other financial liabilities	106.0	–	–	**106.0**

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

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

Master netting agreements and similar agreements

The Vitesco Technologies Group generally concludes business in the form of derivative instruments on the basis of the German Master Agreement on Financial Derivatives Transactions (*Deutscher Rahmenvertrag für Finanztermingeschäfte*).

According to the regulations of the German Master Agreement, the right to netting can be enforced only when future events occur, such as the insolvency of or default by a contractual party. In such cases:

> All outstanding transactions under the agreement are ended.
> The fair value as at the time of ending is calculated, and
> Just a single net amount is paid to settle all transactions.

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

	December 31, 2021			December 31, 2020		
€ million	**Carrying amounts**	**Nettable amount if insolvent**	**Net amount**	Carrying amounts	Nettable amount if insolvent	Net amount
Financial assets	19.9	2.2	17.7	4.5	–	4.5
Financial liabilities	24.4	2.2	22.2	1.4	–	1.4

32. OTHER FINANCIAL LIABILITIES

	December 31, 2021		December 31, 2020	
€ million	**Current**	**Noncurrent**	Current	Noncurrent
Liabilities for selling expenses	140.9	–	103.8	–
Interest payable	–	–	2.2	–
Miscellaneous financial liabilities	64.2	7.3	–	–
Other financial liabilities	**205.1**	**7.3**	**106.0**	**–**

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

The contractual obligations under the Group-separation agreement, which was concluded between Vitesco Technologies Group AG, Regensburg, Vitesco Technologies GmbH, Regensburg, and Continental AG, Hanover, on March 18, 2021 as part of the spin-off, are recognized as miscellaneous financial liabilities and are measured at cost.

33. TRADE PAYABLES

Trade payables as at the end of the fiscal year amounted to €1,958.2 million (previous year: €2,215.5 million). The liabilities are measured at amortized cost. The full amount is due within one year.

For information on liquidity risk, currency risk, and the sensitivity analysis for trade payables, please see chapter 31 (Financial Instruments).

34. OTHER LIABILITIES

	December 31, 2021		December 31, 2020	
€ million	**Current**	**Noncurrent**	Current	Noncurrent
Liabilities for VAT and other taxes	48.8	–	40.8	–
Deferred income	2.6	1.7	6.5	0.2
Miscellaneous liabilities	46.6	91.9	30.0	9.1
Other liabilities	**98.0**	**93.6**	**77.3**	**9.3**

The miscellaneous liabilities comprise a prepayment from the Continental Group of €85.4 million (previous year: –), equivalent to US$100 million, in the Contract Manufacturing segment for the future supply of goods starting on or after January 1, 2024.

The deferred income includes deferrals of government grants.

OTHER DISCLOSURES

35. ADDITIONAL DISCLOSURES ABOUT CAPITAL MANAGEMENT

What is crucial for capital management is to safeguard broad capital-market access through various forms of borrowing and to ensure that debt can be serviced. Capital management therefore ensures that the Vitesco Technologies Group and its consolidated subsidiaries remain solvent and helps to reduce financial risks, minimize capital costs, and maintain the financial flexibility of the Vitesco Technologies Group.

To make sure that these capital-management goals are met, Vitesco Technologies strove for a net debt-to-EBITDA ratio of no more than one for the fiscal year just ended and the year preceding it. This key figure indicates how many years approximately it will take until the net debt can be repaid using the profits from ongoing business activities. It does not factor in interest, other finance income, tax, depreciation, amortization, or impairment.

€ million	**2021**	**2020**
EBITDA	523.9	252.9
Net debt	–345.1	–405.7
Net debt-to-EBITDA ratio	**–0.7**	**–1.6**

The capital-management instruments available to the Executive Board generally involve external borrowing and equity measures. The credit lines that exist are described in chapter 31 (Financial Instruments).

36. LITIGATION AND COMPENSATION CLAIMS

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

Product liability

In particular, Vitesco is constantly subject to product-liability and other claims in which the Company is accused of the alleged infringement of its duty of care, violations against warranty obligations, or defects of material or workmanship. Claims from alleged breaches of contract resulting from product recalls or government proceedings are also asserted. Among other cases, claimants in the US file lawsuits for property damage, personal injury, and death caused by alleged defects in our products. Claims for material and nonmaterial damages, and in some cases punitive damages, are asserted. No assurance can be given that Vitesco will not incur substantial expenses as a result of the final judgments or settlements in some of these cases, or that these amounts will not exceed any provisions set up for these claims.

The Vitesco Technologies Group regularly analyzes current information, including its defense options and insurance coverage, to evaluate litigation risks to which the Group is exposed and recognizes provisions for liabilities that the Group deems likely.

Disputes over industrial-property rights

Vitesco Technologies might also be subject to the industry-standard risk of being liable to pay compensation for infringements or being forced to purchase licenses to continue using technology from third parties. This risk is seen as low as Vitesco Technologies avoids any potential collision of its products with the industrial-property rights of third parties and monitors this on an ongoing basis.

37. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

€ million	**Dec. 31, 2021**	Dec. 31, 2020
Liabilities on guarantees	0.3	–
Liabilities on warranties	8.7	4.3
Risks from taxation and customs	0.3	0.8
Other contingent liabilities	0.8	0.1
Contingent liabilities and other financial obligations	**10.1**	**5.2**

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

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

38. EARNINGS PER SHARE

Basic earnings per share in 2021 were –€3.05 (previous year: n. a.), the same amount as diluted earnings per share. In both the period under review and the previous year, there were no dilutive effects such as interest savings on convertible bonds or warrant-linked bonds (after taxes). There were also no dilutive effects from stock-option plans or the assumed exercise of convertible bonds.

Carve-out financial statements were compiled for the 2020 fiscal year. The weighted average number of shares issued cannot be applied for Vitesco Technologies Group AG.

€ million per million shares	2021	2020
Net income attributable to the shareholders of the parent	–122.0	–376.7
Weighted average number of shares issued	40.0	n. a.
Earnings per share, in €	**–3.05**	**n. a.**

39. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Vitesco Technologies Group disposed of production facilities, intangible assets, and contracts in North America on February 22, 2022 as part of a carve-out, for which it will receive a seven-digit euro amount. The transaction is planned to close in the second quarter of 2022.

Based on our current knowledge, the current events in Ukraine will not generate any direct or indirect impacts on the earnings, finances, or assets of the Vitesco Technologies Group. In the medium term, there may be impacts from shortages among suppliers and production downtime among customers, though the extent of this cannot be gauged at the moment.

There were no further significant events after December 31, 2021.

40. AUDITOR'S FEES

For fiscal 2021, a global fee of €2.1 million was agreed for the audit of the consolidated financial statements and the separate financial statements of the subsidiaries. In the previous year, the Vitesco Technologies Group was consolidated within the Continental Group and included in the audit of the latter's consolidated financial statements. It did not engage its own auditor for its consolidated financial statements or for separate financial statements.

The following fees were recognized in the Group's expenses as at December 31, 2021 for the auditor elected for Vitesco Technologies Group AG at the Annual General Meeting.

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

€ million	2021	2020
Audit of financial statements	1.8	0.6
Other assurance services	0.8	0.1
Tax-advisory services	–	–
Other services provided to the parent company or its subsidiaries	–	0.1
Total	**2.6**	**0.8**

The audit of financial statements primarily comprises the fees for the audit of the consolidated financial statements of the Vitesco Technologies Group, the auditor's review of the quarterly financial statements, and the legally mandated audits of Vitesco Technologies Group AG and its consolidated subsidiaries. The fees for other assurance services in the 2021 fiscal year were attributable to the issue of a comfort letter and legally mandated, contractually agreed, or voluntarily contracted assurance services.

The values to be disclosed according to HGB § 314(1)(9) are determined pursuant to IDW RS HFA 36 in the new version dated September 8, 2016. KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, and its registered branches are deemed the auditor.

41. TRANSACTIONS WITH RELATED PARTIES

Remuneration of the Executive Board and the Supervisory Board

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

The active members of the Executive Board in the relevant reporting periods and the directors of Vitesco Technologies GmbH prior to the spin-off were remunerated as follows:

€ thousand	**2021**	2020
Short-term benefits	2,868	1,260
Service cost relating to postemployment benefits	841	677
Termination benefits	–	–
Share-based payment	994	165
Total	**4,703**	**2,102**

The expense for short-term benefits in fiscal 2021 for members of the Executive Board of Vitesco Technologies Group AG since the spin-off and for directors of Vitesco Technologies GmbH prior to the spin-off was approximately €2.9 million (previous year: €1.3 million). The short-term benefits consist of base remuneration, fringe benefits, and the payment amount for the single-year variable remuneration. On top of that, there were also deferred shares for the performance bonus amounting to roughly €1.0 million (previous year: €0.2 million).

The single-year variable remuneration (performance bonus) for the Executive Board is dependent on the achievement of financial performance criteria and a nonfinancial personal contribution factor for individual Executive-Board members during the relevant fiscal year. The financial performance criteria are based on the Company's key performance indicators and comprise EBIT, ROCE, and free cash flow. In addition, the Supervisory Board can also set personal performance criteria for individual or all Executive-Board members. Target achievement against the financial performance criteria and against the personal contribution factor are linked with each other using a multiplier. The amount paid for single-year variable remuneration is limited to a maximum of 200% of the target amount.

Beyond that, the Executive-Board members and former directors of Vitesco Technologies GmbH received allotments from the 2021 long-term incentive (LTI). This plan is released in annual tranches based on an assessment period of four years. The LTI payment is based on an individual target amount agreed by contract, the Company's two performance criteria called "relative total shareholder return" (TSR) and "sustainability score," and changes in the Company's share price. In fiscal

2021, 23,669 virtual shares in the Company were allotted as part of the 2021 LTI, equivalent to an allotment value of approximately €1.2 million (previous year: €0.9 million).

Consequently, the total remuneration awarded in 2021 for the Executive Board of Vitesco Technologies Group AG since the spin-off and for the directors of Vitesco Technologies GmbH prior to the spin-off came to €5.0 million (prior year: €2.3 million).

Former members of the Executive Board and their surviving dependents were not awarded any earnings beyond that in either fiscal year. Provisions for pension obligations for former members of the Executive Board and their surviving dependents were not recognized, as was the case in the preceding year.

Remuneration paid to the members of the Supervisory Board of Vitesco Technologies Group AG, including meeting-attendance payments, totaled €510 thousand in the past fiscal year (previous year: €0.8 million).

No advances or loans were granted to members of the Executive Board or Supervisory Board of Vitesco Technologies Group AG in 2021.

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

	Income		Expenses		Assets		Liabilities	
€ million	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Continental Group								
Ordinary business activities	1,302.9	1,359.4	1,019.2	1,117.9[1)]	187.6	836.6	712.4	942.0
Leases	–	0.8	0.7	1.3	–	–	27.0	104.4
Financing	4.9	18.1	8.4	17.4	–	1,026.2[1)]	–	619.7[1)]
Others	–	1.7	–	2.9	3.7	–	71.5	–
Schaeffler Group								
Ordinary business activities	33.6	16.0	17.7	–	11.8	10.3	2.6	2.9
Other related parties								
Ordinary business activities	–	–	–	–	1.6	–	–	–
Financing	–	–	–	–	0.9	–	–	–
Total	**1,341.4**	**1,396.0**	**1,046.0**	**1,139.5**	**205.6**	**1,873.1**	**813.5**	**1,669.0**

1) Adjustment of the previous year's figures due to an erroneous calculation in the previous year.

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

The liabilities toward the Continental Group based on ordinary business activities are explained in chapter 34 (Other Liabilities).

The other liabilities toward the Continental Group are explained in chapter 32 (Other Financial Liabilities).

Notifications pursuant to the German Securities Trading Act

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

Harris Associates Investment Trust, Boston, Massachusetts, US, has notified us that its voting-rights share in Vitesco Technologies Group AG as at September 15, 2021 was 3.47% (corresponding to 1,387,642 voting rights).

Harris Associates L.P., Wilmington, US, has notified us that its voting-rights share in Vitesco Technologies Group AG as at September 22, 2021 was 5.43% (corresponding to 2,172,744 voting rights).

Ninety One Plc, London, UK, has notified us that its voting-rights share in Vitesco Technologies Group AG as at October 26, 2021 was 3.35% (corresponding to 1,341,318 voting rights).

Morgan Stanley, Wilmington, Delaware, US, has notified us that its voting-rights share in Vitesco Technologies Group AG as at November 19, 2021 was 3.78%.

- 1.88% of these voting rights (753,923 voting rights) are attributed to the company in accordance with WpHG § 34.
- 0.61% of these voting rights (242,313 voting rights) are attributed to the company as instruments in accordance with WpHG § 38(1)(1) (lent securities).
- 1.29% of these voting rights (517,296 voting rights) are attributed to the company as instruments in accordance with WpHG § 38(1)(2) (contract for difference).

ASW Privatstiftung, Graz, Austria, has notified us that its voting-rights share in Vitesco Technologies Group AG as at December 3, 2021 was 5.00% (corresponding to 2,001,100 voting rights).

Bank of America Corporation, Wilmington, Delaware, US, has notified us that its voting-rights share in Vitesco Technologies Group AG as at January 5, 2022 was 4.34%.

- 1.58% of these voting rights (632,755 voting rights) are attributed to the company in accordance with WpHG § 34.
- 0.80% of these voting rights (318,830 voting rights) are attributed to the company as instruments in accordance with WpHG § 38(1)(1) (lent securities).
- 1.96% of these voting rights (784,417 voting rights) are attributed to the company as instruments in accordance with WpHG § 38(1)(2) (contract for difference).

By way of a letter dated September 15, 2021, we received notification that:

- the voting-rights share that IHO Beteiligungs GmbH, Herzogenaurach, Germany, holds in Vitesco Technologies Group AG is 10.00%
- the voting-rights share that IHO Verwaltungs GmbH, Herzogenaurach, Germany, holds in Vitesco Technologies Group AG is 35.98%
- 46.03% of the voting rights in Vitesco Technologies Group AG are attributed to Maria-Elisabeth Schaeffler-Thumann in accordance with WpHG § 22(1)(1)
- 46.03% of the voting rights in Vitesco Technologies Group AG are attributed to Georg F.W. Schaeffler in accordance with WpHG § 22(1)(1)

In 2021 and until March 7, 2022, inclusively, the members of the Executive Board held shares representing a total interest of less than 1% of the capital stock of the Company.

Shares representing 51.03% of the voting capital stock of the Company were attributable to Supervisory-Board members Georg F. W. Schaeffler and Prof. Siegfried Wolf. In 2021 and until March 7, 2022, inclusively, the other members of the Supervisory Board held shares representing a total interest of less than 1% of the capital stock of the Company.

42. LIST OF SHAREHOLDINGS OF THE GROUP

List of interests held by the Vitesco Technologies Group pursuant to HGB § 313(2)

Company	Principal place of business	Share in capital, as a %
I. Affiliated companies		
Germany		
Vitesco Technologies 1. Beteiligungsgesellschaft mbH & Co. KG[1]	Frankfurt am Main	100.0
Vitesco Technologies 1. Verwaltungs GmbH	Regensburg	100.0
Vitesco Technologies 2. Beteiligungsgesellschaft mbH & Co. KG[1]	Hanover	100.0
Vitesco Technologies 2. Verwaltungs GmbH	Regensburg	100.0
Vitesco Technologies Eisenach Verwaltungs GmbH	Hörselberg-Hainich	100.0
Vitesco Technologies Emitec GmbH	Lohmar	100.0
Vitesco Technologies Germany GmbH	Regensburg	100.0
Vitesco Technologies GmbH	Regensburg	100.0
Vitesco Technologies Lohmar Verwaltungs GmbH	Lohmar	100.0
Vitesco Technologies Roding GmbH	Roding	100.0
Vitesco Technologies Versicherungsdienst GmbH	Regensburg	100.0
Other countries		
Vitesco Automotive Systems (Tianjin) Co., Ltd.	Tianjin, China	100.0
Vitesco Automotive Wuhu Co., Ltd.	Wuhu, China	100.0
Vitesco Automotive Changchun Co., Ltd.	Changchun, China	100.0
Emitec Denmark A/S	Randers, Denmark	100.0
Vitesco Technologies RUS	Kaluga, Russia	100.0
Vitesco Technologies México S. de R.L. de C.V.	Silao, Mexico	100.0
Vitesco Technologies (Thailand) Co., Ltd.	Rayong, Thailand	100.0
Vitesco Technologies Canada, ULC	Mississauga, Canada	100.0
Vitesco Technologies Czech Republic s.r.o.	Trutnov, Czech Republic	100.0
Vitesco Technologies Delavan, LLC	Delavan, Wisconsin, US	100.0
Vitesco Technologies Engineering Romania S.R.L.	Timisoara, Romania	100.0
Vitesco Technologies France S.A.S.	Toulouse, France	100.0
Vitesco Technologies Holding 1 Canada, Inc.	Chatham, Canada	100.0
Vitesco Technologies Holding 2 Canada, Inc.	Chatham, Canada	100.0
Vitesco Technologies Holding China Co., Ltd.	Shanghai, China	100.0
Vitesco Technologies Holding Netherlands B.V.	Maastricht, Netherlands	100.0

Company	Principal place of business	Share in capital, as a %
Vitesco Technologies Hungary Kft.	Debrecen, Hungary	100.0
Vitesco Technologies India Pvt. Ltd.	Pune, India	100.0
Vitesco Technologies Italy S.R.L.	Pisa, Italy	100.0
Vitesco Technologies Japan K.K.	Yokohama, Japan	100.0
Vitesco Technologies Korea LLC	Icheon-si, Korea	100.0
Vitesco Technologies Maquila México, S. de R.L. de C.V.	Silao, Mexico	100.0
Vitesco Technologies Romania S.R.L.	Brasov, Romania	100.0
Vitesco Technologies Singapore Pte. Ltd.	Singapore, Singapore	100.0
Vitesco Technologies Taiwan Co., Ltd.	Taipei, Taiwan	100.0
Vitesco Technologies UK Ltd.	Birmingham, United Kingdom	100.0
Vitesco Technologies USA, LLC	Wilmington, Delaware, United States	100.0
Vitesco Tecnologia Brasil Automotiva Ltda.	Salto, Brazil	100.0
Vitesco Automotive Turbocharger (Shanghai) Co., Ltd.	Shanghai, China	100.0
II. Associated companies/joint ventures		
Other countries		
Napino Control Systems Private Limited	Gurgaon, India	30.0
PV Clean Mobility Technologies Private Limited	Gurugram, India	50.0
III. Other equity interests		
IAV GmbH Ingenieurgesellschaft Auto und Verkehr[2]	Berlin, Germany	10.0

1) Statutory exemption provisions under HGB § 264b have been utilized.
2) Proportional equity of €16.0 million as at December 31, 2020 and proportional net loss of €1.3 million in 2020.

43. GERMAN CORPORATE GOVERNANCE CODE/DECLARATION PURSUANT TO AKTG § 161

The declaration required in accordance with AktG § 161 was issued by the Executive Board and the Supervisory Board in December 2021 and is permanently available to shareholders online in the “Investors”/”Corporate Governance” section of the Company’s website (ir.vitesco-technologies.com).

Regensburg, March 7, 2022

Andreas Wolf Werner Volz Ingo Holstein Klaus Hau Thomas Stierle i

FURTHER INFORMATION

AFFIRMATION BY COMPANY OFFICERS

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the earnings, finances, and assets of the Group, and the combined management report, which is consolidated with the management report for Vitesco Technologies Group AG, includes a fair presentation of the development and performance of the business and position of the Vitesco Technologies Group, together with a description of the principal opportunities and risks associated with the expected development of the Vitesco Technologies Group.

Regensburg, March 7, 2022

Vitesco Technologies Group AG

Andreas Wolf Werner Volz Ingo Holstein Klaus Hau Thomas Stierle

MEMBERS OF THE EXECUTIVE BOARD AND THEIR POSITIONS

List of the positions held by the Executive-Board members on statutory supervisory boards and on comparable controlling bodies of companies in Germany and abroad in accordance with HGB § 285(10):

Andreas Wolf
Chief Executive Officer (since March 9, 2021)

Werner Volz
Chief Financial Officer (since March 9, 2021)

Ingo Holstein
Chief Human Resources Officer (since March 9, 2021)

Klaus Hau
Member of the Executive Board (since October 4, 2021)

Thomas Stierle
Member of the Executive Board (since October 4, 2021)

MEMBERS OF THE SUPERVISORY BOARD AND THEIR POSITIONS

Members holding a position as at December 31, 2021	Occupation	Member since	Membership on other supervisory boards
Shareholder representatives			
Prof. Siegfried Wolf (Chairman)	Businessman	September 15, 2021	Chairman of supervisory board at SBERBANK Europe AG and STEYR Automotive GmbH and member of supervisory board at CMBlu Energy AG until December 14, 2021, MIBA AG, Mitterbauer Beteiligungs AG, Continental AG until January 1, 2022, OJSC GAZ Group, Porsche Automobil Holding SE, and Schaeffler AG
Prof. Hans-Jörg Bullinger	Chief executive officer of Fraunhofer Zukunftsstiftung	September 15, 2021	Chairman of supervisory board at Arri AG, member of supervisory board at Bauerfeind AG, CO.DON AG, and Schaeffler AG, and member of advisory board at Handtmann GmbH & Co. KG and Friedhelm Loh Stiftung & Co. KG
Manfred Eibeck	Businessman	September 15, 2021	Member of supervisory board at CMBlu Energy AG and STEYR Automotive GmbH
Susanne Heckelsberger	Corporate consultant, interim manager, and director at SH Financial Consulting Management GmbH	September 15, 2021	Member of supervisory board at Villeroy & Boch AG
Joachim Hirsch	Corporate consultant	September 15, 2021	Member of supervisory board at Magna STEYR Fahrzeugtechnik AG
Prof. Sabina Jeschke	Manager/start-up founder/academic	September 15, 2021	Member of technical advisory board at CAPHENIA GmbH and Digitalplus GmbH
Klaus Rosenfeld	Chief Executive Officer of Schaeffler AG	September 15, 2021	Member of supervisory board at Siemens Gamesa Renewables Energy S.A., Continental AG, and Schaeffler India Ltd until October 28, 2021
Georg F. W. Schaeffler	Partner at INA-Holding Schaeffler GmbH & Co. KG and chief executive officer of IHO Verwaltungs GmbH	September 15, 2021	Chairman of supervisory board at Schaeffler AG, member of supervisory board at Continental AG, and member of advisory board at ATESTEO Management GmbH

Members holding a position as at December 31, 2021	Occupation	Member since	Membership on other supervisory boards
Workforce representatives			
Ralf Schamel (Deputy Chairman)	Member of IG Metall Bayern	September 15, 2021	Member of supervisory board at Continental Automotive GmbH and Vitesco Technologies GmbH until September 15, 2021
Carsten Bruns	Member of works council at Vitesco Technologies GmbH and member of central works council at Vitesco Technologies GmbH	September 15, 2021	
Lothar Galli	Member of the central works council at Vitesco Technologies GmbH	September 15, 2021	
Yvonne Hartmetz	Deputy chairwoman of the central works council at Vitesco Technologies Germany GmbH	September 15, 2021	Member of the supervisory board at Vitesco Technologies Germany GmbH

Michael Köppl	Head of sales, EC business unit; electronic engineer	September 15, 2021	Member of the supervisory board at Vitesco Technologies GmbH
Erwin Löffler	Group manager, QualityLabs and deputy chairman of works council at Vitesco Technologies' Roding site	September 15, 2021	
Kirsten Vörkel	Chairwoman of works council at Vitesco Technologies' Dortmund site and chairwoman of central works council at Vitesco Technologies GmbH	September 15, 2021	Member of the supervisory board at Vitesco Technologies GmbH
Anne Zeumer	Deputy branch director, IG Metall Chemnitz	September 15, 2021	Member of supervisory board at Vitesco Technologies GmbH until September 15, 2021

Members of the Supervisory-Board committees:

Committee	**Members as at December 31, 2021**
Chairman's Committee (6)	Prof. Siegfried Wolf (Chairman)
	Ralf Schamel
	Manfred Eibeck
	Erwin Löffler
	Georg F.W. Schaeffler
	Kirsten Vörkel
Audit Committee (6)	Susanne Heckelsberger (Chairwoman)
	Lothar Galli
	Yvonne Hartmetz
	Michael Köppl
	Klaus Rosenfeld
	Georg F.W. Schaeffler
Conciliation Committee (4)	Prof. Siegfried Wolf (Chairman)
	Georg F.W. Schaeffler
	Ralf Schamel
	Kirsten Vörkel
Nomination Committee (4)	Prof. Siegfried Wolf (Chairman)
	Klaus Rosenfeld
	Georg F.W. Schaeffler
	Susanne Heckelsberger
Related-Party Transaction Committee (4)	Joachim Hirsch (Chairman)
	Manfred Eibeck

	Lothar Galli
	Michael Köppl
Technology Committee (8)	Prof. Hans-Jörg Bullinger (Chairman)
	Carsten Bruns
	Yvonne Hartmetz
	Joachim Hirsch
	Prof. Sabina Jeschke
	Michael Köppl
	Georg F.W. Schaeffler
	Ralf Schamel

OVERVIEW – GROUP

		2021	2020	2019	2018
Statement of financial position					
Noncurrent assets	€ million	3,879.1	3,732.6	3,967.0	3,845.3
Current assets	€ million	3,529.0	4,329.1	4,444.1	5,202.4
Total assets	€ million	7,408.1	8,061.7	8,411.1	9,047.7
Shareholders' equity (excl. noncontrolling interests)	€ million	2,688.3	2,648.6	3,122.0	5,049.0
Noncontrolling interests	€ million	–	–	56.9	45.1
Total equity (incl. noncontrolling interests)	€ million	2,688.3	2,648.6	3,178.9	5,094.1
Equity ratio[1]	%	36.3	32.9	37.8	56.3
Capital expenditure[2]	€ million	599.5	480.0	782.4	684.1
Free cash flow	€ million	113.3	–455.7	55.4	35.6
Net debt	€ million	–345.1	–405.7	–919.6	–1,904.0
Gearing ratio	%	12.8	15.3	–28.9	–37.4
Income statement					
Sales	€ million	8,348.5	8,027.7	9,092.5	9,143.1
Share of foreign sales	%	83.9	82.8	83.0	82.7
Cost of sales[3]	%	86.6	86.8	86.7	84.8
Research and development costs (net)[3]	%	12.4	12.5	12.3	12.3
Distribution and logistics costs[3]	%	1.7	1.9	2.1	2.0
General administrative costs[3]	%	2.6	3.2	2.9	1.4
EBITDA	€ million	523.9	252.9	179.8	635.5
EBITDA[3]	%	6.3	3.2	2.0	7.0
EBIT	€ million	39.5	–324.3	–635.2	184.2
EBIT[3]	%	0.5	–4.0	–7.0	2.0
ROCE	%	1.6	–11.5	–22.7	5.2
Personnel expenses	€ million	1,974.7	1,834.5	2,053.6	1,917.2
Depreciation, amortization, and impairment[4]	€ million	484.4	577.2	814.9	451.3
Net income attributable to the shareholders of the parent	€ million	–122.0	–376.7	–659.9	86.5
Dividend and earnings per share[5]					
Dividend for the fiscal year	€ million	–	–	–	–
Number of shares as at December 31	millions	40.0	n. a.	–	–
Dividend per share[5]	€	–	–	–	–
Net income (per share) attributable to the shareholders of the parent	€	–3.05	n. a.	–	–
Employees					
Annual average		38,958	39,539	40,844	40,877

1) Including noncontrolling interests.
2) Capital expenditure on property, plant, and equipment and software. Including IFRS 16 Leases since 2019.
3) As a percentage of sales.
4) Excluding impairment on financial investments.
5) Subject to approval at the Annual General Meeting on May 5, 2022.

FINANCIAL CALENDAR

2022	
Financial Press Conference	March 25
Analyst and Investor Conference Call	March 25
Annual General Meeting	May 5
Quarterly Report as at March 31, 2022	May 13
Half-Year Financial Report as at June 30, 2022	August 10
Quarterly Report as at September 30, 2022	November 14

2023	
Financial Press Conference	March
Analyst and Investor Conference Call	March
Annual General Meeting	May
Quarterly Report as at March 31, 2023	May
Half-Year Financial Report as at June 30, 2023	August
Quarterly Report as at September 30, 2023	November

PUBLICATION DETAILS

The annual report, the annual financial statements, the half-year financial report, and the interim reports are available online in the “Investors” section of our website at ir.vitesco-technologies.com.

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Executive Board:
Andreas Wolf (Chief Executive Officer)
Werner Volz
Ingo Holstein
Klaus Hau
Thomas Stierle

Chairman of Supervisory Board:
Prof. Siegfried Wolf

Principal place of business: Regensburg
Court of registration: Regensburg local court
HRB 18842
VAT ID no.: DE 327956117