ANNUAL REPORT 2023

VITESCO TECHNOLOGIES GROUP 2023

〉Sales at €9.2 billion
〉Free cash flow at €84.9 million
〉Equity ratio of 37.6%

KEY FIGURES

€ million	**2023**	2022	Δ ina %
Sales	9,233.2	9,070.0	1.8
EBITDA	748.1	703.3	6.4
As % of sales	8.1	7.8	
EBIT	172.2	143.3	20.2
As % of sales	1.9	1.6	
Net income	–96.4	23.6	–508.5
Basic earnings per share in €	–2.41	0.59	
Diluted earnings per share in €	–2.41	0.59	
Adjusted sales[1]	9,233.2	8,984.9	2.8
Adjusted operating result (adjusted EBIT)[2]	341.1	225.5	51.3
As % of adjusted sales	3.7	2.5	
Free cash flow	84.9	123.2	–31.1
Net liquidity	337.0	333.4	1.1
Gearing ratio[3] in %	–11.8	–10.9	
Equity	2,851.3	3,061.7	–6.9
Equity ratio in %	37.6	40.3	
Number of employees[4] as at December 31	35,528	38,043	–6.6
Dividend per share[5] in €	0.25	–	
Stock price at year-end[6] in €	78.20	54.25	
Stock price 52-week high[6] in €	96.20	59.50	
Stock price 52-week low[6] in €	54.75	25.65	

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 topics.
3) Defined as the ratio of net liquidity to equity.
4) Excluding apprentices/trainees.
5) Subject to approval at the Annual General Meeting on April 24, 2024.
6) Vitesco Technologies stock as quoted in the Deutsche Börse AG XETRA system.

OVERVIEW OF THE VITESCO GROUP AND 2023 KEY FIGURES

Vitesco Technologies Group Sales: €9,233.2 million; employees: 35,528	
Powertrain Solutions Sales: €6,118.8 million Employees: 20,391	**Electrification Solutions** Sales: €3,162.3 million Employees: 15,071
> Actuation > Aftermarket & Non-Automotive > Hydraulics & Turbocharger > Sensorics & Controls	> Controls > Electric Drive Systems

DIVISIONAL KEY FIGURES

	Powertrain Solutions			Electrification Solutions		
€ million	**2023**	2022	Δ in %	**2023**	2022	Δ in %
Sales	6,118.8	6,372.3	–4.0	3,162.3	2,765.8	14.3
EBITDA	720.0	710.3	1.4	93.4	43.3	115.7
As % of sales	11.8	11.1		3.0	1.6	
EBIT	343.6	343.1	0.1	–105.8	–149.4	29.2
As % of sales	5.6	5.4		–3.3	–5.4	
Adjusted sales[1]	6,118.8	6,287.3	–2.7	3,162.3	2,765.6	14.3
Adjusted operating result (adjusted EBIT)[2]	464.6	345.3	34.5	–98.1	–93.1	–5.4
As % of adjusted sales	7.6	5.5		–3.1	–3.4	

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 topics.

To simplify the language and enhance readability, the masculine grammatical form is used in this report. It includes all genders.

TABLE OF CONTENTS

OUR SHAREHOLDERS

74 MANAGEMENT REPORT

178

CONSOLIDATED FINANCIAL STATEMENTS

283

FURTHER INFORMATION

LETTER FROM THE CEO

Dear Shareholder,

The year 2023 was challenging. Russia’s invasion of Ukraine continued, and alongside that there was a variety of further geopolitical conflicts impacting the earnings and prospects of many businesses. This makes me all the more pleased by Vitesco Technologies’ ongoing positive business development. Our company was able to grow further, build up its order backlog, and position itself internationally as a leading provider of electrification solutions.

At the same time, we achieved measurable improvements on our journey to our strategic sustainability targets, which we will document in our third sustainability report due for publication in April. None of this would have been conceivable without the fantastic dedication of our employees. Thanks to them, we are today able to present excellent annual results for 2023 and look back at the fiscal year 2023 with overall satisfaction.

Besides our entry to the MDAX in July 2023, the most important event last year was without a doubt the announcement of a public tender offer by Schaeffler in October. The conditions necessary for a successful merger are now largely established, and we are working as partners on the upcoming integration of the two companies. With the larger group of affiliated companies arising from it, we will be able to use and contribute our competencies even better – and take major steps toward cleaner mobility after joining forces.

We expanded our partnerships further over the past fiscal year, for example, through long-term supplier partnerships for silicon carbide with the companies Onsemi and ROHM. We are also proud of our new cooperation agreements with Baosteel and Infineon for high-quality silicon steel and microcontrollers respectively, which can be used to further improve the efficiency and system costs of electric vehicles. In addition, we unveiled a variant of our EMR4 integrated e-axle drive in April 2023. It uses no rare earths whatsoever, and that is just one of the many technological innovations in the previous fiscal year. In summer 2023, we also announced our entry into the independent aftermarket.

Since November, Sabine Nitzsche has been on board as Chief Financial Officer succeeding our appreciated colleague, Werner Volz. He has earned our deep gratitude combined with a great deal of respect for his achievements – as this report will demonstrate. The Vitesco Technologies Executive Board also added a dedicated role for Integrity and Legal in 2023, which was held by Stephan Rölleke.

Another major achievement in my view is our jump into the LinkedIn Top Companies ranking in France, India, and the US at the start of the year, after just three years under our new employer brand. This means that we rank among the most appealing employers on all three continents where Vitesco Technologies operates. We are honored by this and see it as confirmation of our efforts to make Vitesco Technologies a place where all employees find purpose in their work, namely, “Electrified. Emotion. Everywhere.”

Thank you greatly for your trust.

Yours sincerely,

Andreas Wolf
Chief Executive Officer

MEMBERS OF THE EXECUTIVE BOARD

(Left to right: Ingo Holstein, Thomas Stierle, Sabine Nitzsche, Andreas Wolf, Stephan Rölleke, Klaus Hau)

Andreas Wolf, Chief Executive Officer
Born in 1960 in Nordhorn, Germany
Business Development & Strategy, Purchasing & Supplier Quality Management, Engineering, Information Technology, Communications, Operations, Quality & Environment, Semiconductor Supply, Technical Compliance Management, Technology & Innovation, Sales
Appointed until September 30, 2024

Sabine Nitzsche, Chief Financial Officer
Born in 1972 in Dresden, Germany
Group Finance and Controlling
Appointed until September 30, 2026

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

Stephan Rölleke, Member of the Executive Board for Integrity and Legal
Born in 1968 in Bad Harzburg, Germany
Legal and Technical Compliance, Claim Management, Intellectual Property, and Legal
Appointed until September 30, 2026

Klaus Hau, Executive Board member
Born in 1964 in Würzburg, Germany
Head of the Powertrain Solutions Division
Appointed until September 30, 2024

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

VITESCO TECHNOLOGIES SHARES

POSITIVE SHARE PRICE DEVELOPMENTSIGNIFICANTLY OUTPERFORMING THE MARKET IN FISCAL YEAR 2023

The positive share price development in the fiscal year 2023 was in particular due to improved profitability at the operating level as well as partnerships for semiconductors, for example, with ON Semiconductor (Onsemi) and ROHM Semiconductor (ROHM), in the first nine months of the year. The stock peaked at initially €91.00 in connection with Schaeffler AG’s tender offer in Q4 2023 on account of the price offered.

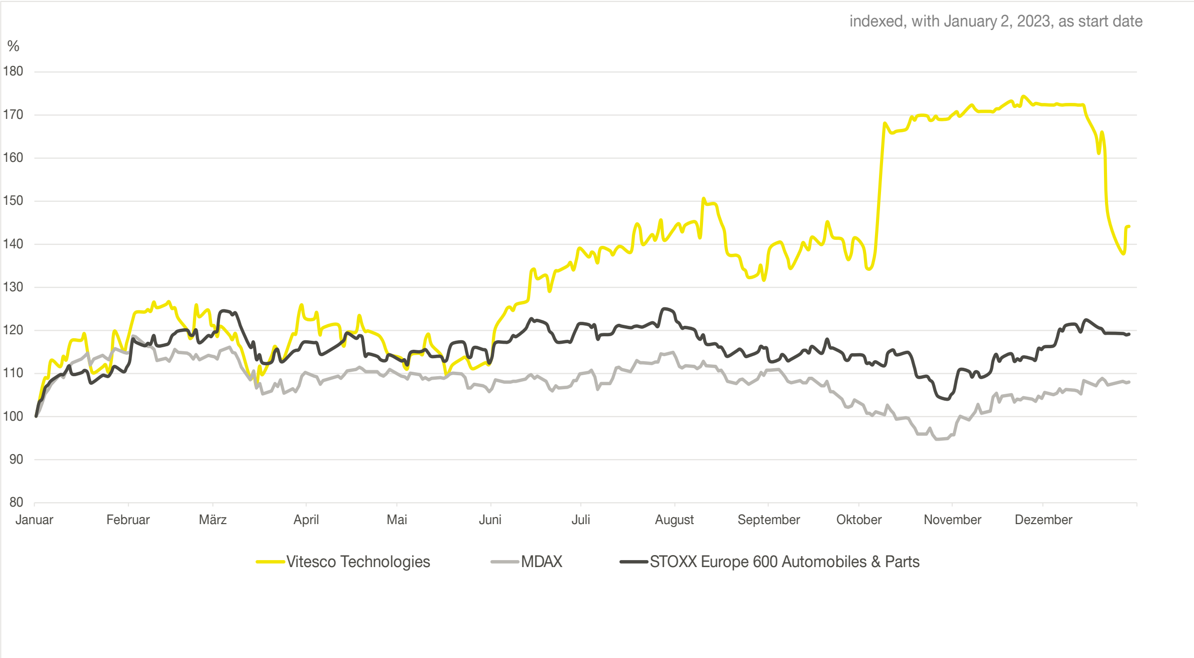
Vitesco Technologies’ stock hit its year low of €54.75 at the beginning of 2023 though climbed back above the €60.00 mark after a positive start to the year. Strong increases in material and labor costs caused uncertainty, especially at the beginning of the year, and affected the entire automotive sector. On top of that, there were rising interest rates resulting from the increased inflation and poor economic developments globally.

Vitesco Technologies’ share started to record a lasting increase with the publications regarding partnerships with the semiconductor industry in the second quarter of 2023 and was quoted around the €75.00 mark as the year progressed. There was an additional positive effect from the announcement that the stock was to be elevated into the MDAX as part of a “fast entry” with effect from July 25, 2023.

Following Schaeffler AG’s publication of its tender offer, the stock’s price leaped to €91.00 on October 9, 2023. Speculation about a possible increase in the offer price resulting in the stock marking its current all-time high of €96.20 on November 6, 2023. After Schaeffler AG’s official increase of the offer price to €94.00 on November 27, 2023, the stock reached a level just under the offered €94.00. Once the deadline for the tender offer had passed, the share closed at €78.20 on the final day of trading in the 2023 stock market year, roughly 44% above the final closing price in the 2022 stock market year.

The development of the MDAX throughout the year was a different story. After initially performing similarly to each other through to the middle of the year, Vitesco Technologies’ stock was subsequently able to outperform the MDAX significantly. The MDAX remained gripped by further interest rate rises and fears of recession, which were reflected in negative performance up until late October 2023. It changed direction toward the end of the year for a year-end closing rate of 27,137.30 points on December 29, 2023, up about 8% on the year-end closing rate in 2022.

VITESCO TECHNOLOGIES STOCK PRICE IN 2023 RELATIVE TO SELECTED INDEXES



The STOXX Europe 600 Automobiles & Parts index performed similarly to the MDAX in the course of 2023. The diminished capacity of manufacturers and suppliers to supply goods, given the global chip shortage, and the rising cost of labor were the predominant topics in the automotive industry in 2023 and influenced the year's progression. With expectations of progressively increasing chip availability and an end to interest rate rises, the STOXX Europe 600 Automobiles & Parts saw a year-over-year increase of 19% at the end of the year.

Negative Earnings per Share despite Operational Improvements, Strict Cost Control, and Successfully Passing on Additional Costs to Customers

For the 2023 fiscal year, consolidated earnings amounted to –€96.4 million (previous year: €23.6 million). Despite the improved quality of profitability at the operating level, the earnings per share decreased to –€2.41 (previous year: €0.59). The reasons for this included in particular the heavy tax burden from allowances on deferred tax assets for losses carried forward at the German companies, which were caused by the merger of Vitesco Technologies Group AG with Schaeffler AG that is planned for the 2024 fiscal year.

Appropriation of net income for 2023 Fiscal Year – first dividend planned

The Executive Board and Supervisory Board will propose at the Annual General Meeting on April 24, 2024, that the total €14.3 million unappropriated net income of Vitesco Technologies Group AG from fiscal year 2023 be distributed in an amount of €10.0 million for a dividend of €0.25 per qualifying share and to carry forward the balance to new account. A dividend was not paid for fiscal year 2022 as Vitesco Technologies had recognized a unappropriated net income of €0.00 for fiscal year 2022.

Free float at 36.0% at year-end

The Group's free float, as defined by Deutsche Börse AG, Frankfurt was at 36.0% at year-end in 2023 after initially running up to 54.0% with the initial listing on September 16, 2021. The 49.9% stake held by the IHO companies, the 9.1% held by the Bank of America (BofA), and the 5.0% stake of ASW Privatstiftung were considered as major shareholder of Vitesco Technologies as per the Deutsche Börse AG definition. Its shareholding is therefore not classified as free float..

Vitesco Technologies' market capitalization was €3,130 million at the end of the 2023 stock market year. An average of roughly 57,697 shares were traded on XETRA per trading day during the fiscal year 2023, equivalent to over 0.1% of the shares outstanding.

There was a major change in the shareholding structure in early 2024 after the expiration on January 2, 2024, of the redemption option enabled through the shareholders' tendering of their shares in response to Schaeffler AG's tender offer. Schaeffler AG announced that a total of 29.9% of all shares outstanding were tendered for sale. In conjunction with IHO Beteiligungs GmbH and IHO Verwaltungs GmbH, which are defined together with the bidder as entities acting jointly for the purposes of German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz,* WpÜG) §2(5), the total stake added up to 79.8% of votes. The bidder held direct instruments within the meaning of German Securities Trading Act (*Wertpapierhandelsgesetz*, WpHG) §38 based on a total of 3,600,000 voting rights in Vitesco at the time the deadline passed due to a total return swap with BofA Securities Europe S.A. This was equal to a stake of approximately 9% of the share capital and voting rights of Vitesco Technologies. The conclusion of this transaction increased the total share of voting rights held by IHO companies to 88.8%. ASW Privatstiftung tendered its entire 5.0% stake for sale during the offer phase and did not utilize its redemption option either.

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
Bloomberg ticker symbol	VTSC:GR
Index membership	MDAX
Shares outstanding as at December 31, 2023	40,021,196
Free float as at December 31, 2023	36.0%

Share Capital of €100.1 million

Vitesco Technologies Group AG had share capital of €100,052,990.00 at the end of the fiscal year 2023. 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' stock 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
Ticker symbol	VTSCY
ADR level	Level 1
Trading	Over the counter (OTC)
ADR Depotbank	Deutsche Bank Trust Company Americas

Vitesco Technologies Investor Relations online

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

KEY FIGURES FOR VITESCO TECHNOLOGIES' SHARE[1]

€ (unless otherwise specified)	**2023**	2022
Basic earnings per share	–2.41	0.59
Diluted earnings per share	–2.41	0.59
Dividend per share	0.25[2]	n.a.
Dividend yield[3] (%)	0.32[2]	n.a.
Price-to-earnings (P/E) ratio[4]	n.a.	91.95
Share price at year-end	78.20	54.25
Share price 52-week average	73.80	46.16
Share price 52-week high	96.20	59.50
Share price 52-week low	54.75	25.65
Number of shares outstanding, average (in millions)	40.02	40.02
Number of shares outstanding as at December 31 (in millions)	40.02	40.02

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 April 24, 2024.
3) Dividend per share at year-end price.
4) Closing price at the end of the given fiscal year.

CORPORATE GOVERNANCE

REPORT OF THE SUPERVISORY BOARD

Dear Shareholder,

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 were convinced of the legality, propriety, and suitability of the 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 Supervisory Board conferred regularly during the 2023 reporting period. A total of ten meetings of the full board were held, of which five were in person with the option of participating virtually and the other five purely as videoconferences. At these meetings, 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 also held discussions without the Executive Board as needed. All committees report to the full Supervisory Board on a regular basis. The Corporate Governance Statement additionally describes the duties of the committees and names their members.

Susanne Heckelsberger, Georg F. W. Schaeffler, and Kirsten Vörkel were each absent for one meeting of the Supervisory Board, Ralf Schamel for two, and Klaus Rosenfeld for three. All other members attended all Supervisory Board meetings during the fiscal year 2023. An overview of the attendance at the committee meetings can be found in the section describing the key issues for the individual committees. 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 Covered by the Supervisory Board

The Executive Board continuously informed the Supervisory Board in detail of the development of risk, sales, finances/earnings, and employment within the Group and the Company's individual business units. 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 necessary measures initiated. Moreover, the Executive Board regularly reported on the situation in the Group's key commodity and sales markets, particularly in regard to the constrained supply of chips and the war in Ukraine, and simultaneously provided information about the development of the Vitesco Technologies Group AG stock price. Another major topic was the Company's extensive negotiations with customers to adjust prices as a result of the rising costs of commodities, materials, and wages. The Executive Board informed the Supervisory Board at regular intervals of the current status of the Hanover district attorney's investigations into the alleged usage of illegal defeat devices. Lastly, the Supervisory Board was occupied with the voluntary public tender offer by Schaeffler AG for the shares outstanding in Vitesco Technologies Group AG in the fourth quarter, resulting in the establishment of anCommittee on Schaeffler´s Tender Offer.

The first Supervisory Board meeting of the fiscal year 2023 was held as an extraordinary meeting on March 21, 2023. The issues addressed included the determination of achievement of the variable remuneration targets for Executive Board members.

Additionally, the Supervisory Board discussed and approved the annual financial statements of Vitesco Technologies Group AG as at December 31, 2022, and the consolidated financial statements as at December 31, 2022, each as compiled by the Executive Board and audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin ("KPMG AG"), as well as the combined management report of Vitesco Technologies Group AG and the Group, including the Group's non-financial statement and corporate governance statement.

Simultaneously, the Supervisory Board finalized the Supervisory Board's report for the Annual General Meeting, passed a resolution approving the remuneration report, and corroborated the auditor's findings regarding the dependent company report without raising objections. The Supervisory Board also approved the agenda for the Annual General Meeting and the manner for holding it, and decided to disseminate the proposed resolutions that had been drafted.

Additionally, the Supervisory Board proposed at the Annual General Meeting to elect KPMG AG as the auditor of the annual and consolidated financial statements for the fiscal year 2023 and as auditor for the auditor's review of the half-year financial report as at June 30, 2023, and to appoint KPMG AG as auditor for any auditor's review of interim financial reports in the fiscal year 2023 that may need to be carried out.

At the meeting on March 29, 2023, the Supervisory Board elected Kerstin Dickert as a member of the Audit, Technology, and Related Party Transaction Committees for the duration of her position on the Supervisory Board. The current status of project management was presented to the Supervisory Board at the same meeting and individual topics related to it discussed in detail.

A further topic was the analysis of the self-assessment from the previous fiscal year, where the Supervisory Board – with the support of external consultants – analyzed how effective it and its committees discharge their duties. The results of the analysis and possible, concrete measures for the further improvement of the Supervisory Board's activities, which were developed by the working group formed for this self-assessment, were presented and discussed extensively. A high level of satisfaction with the work of the Supervisory Board and its committees was evident. The discussions focused on questions relating to the composition and skills of the Supervisory Board, meeting management, and meeting subject matter. Suggestions for the further improvement of the Supervisory Board's work were addressed directly.

At an extraordinary meeting on April 26, 2023, the Supervisory Board passed a resolution to appoint Sabine Nitzsche as a member of the Executive Board of Vitesco Technologies Group AG from October 1, 2023, to September 30, 2026, taking the role of Chief Financial Officer as of November 1, 2023, after an induction period. Simultaneously, the Supervisory Board approved the resignation of Werner Volz from his Executive Board position with effect from October 31, 2023. In particular, to ensure undisrupted quarterly and annual financial reporting and support the introduction of Sabine Nitzsche, the Supervisory Board also authorized the Chairman of the Supervisory Board to conclude a consulting contract with Werner Volz on standard market terms.

At its first meeting following the Annual General Meeting on May 17, 2023, Lisa Hinrichsen was appointed as a member of the Audit Committee for the duration of her position on the Supervisory Board of Vitesco Technologies Group AG and Erwin Löffler as a member of the Related Party Transaction Committee for the duration of his position on the Supervisory Board of Vitesco Technologies Group AG.

At the same meeting, the current status of the negotiations to sell Vitesco Technologies Italy S.R.L, a Group company, was presented and discussed. The Supervisory Board approved further negotiations for the sale and authorized the Executive Board to sell Vitesco Technologies Italy S.R.L.

The subject at the extraordinary meeting on May 23, 2023, was a discussion and resolution to secure SiC capacity requirements of the Vitesco Technologies Group. The current scenarios were explored and discussed by the Supervisory Board members. The Supervisory Board approved the purchase of equipment entailing a total investment of €231.5 million, subject to certain contractual terms still to be agreed with the supplier, in order to safeguard the supply of SiC MOSFETs.

The Supervisory Board’s strategy meeting was held on September 20, 2023. The current status and direction of the long-term strategy was reviewed and discussed at this meeting. Furthermore, the strategic targets for the areas of human resources, production, purchasing, and the aftermarket were presented. The presentation of the hydrogen strategy also formed an additional focus.

At the meeting on September 21, 2023, the Supervisory Board passed a resolution for adjustments recommended by the Chairman’s Committee to enhance the Executive Board’s remuneration system. Against a background of increasing integrity requirements globally, the Supervisory Board also passed a resolution to create a new Executive Board role responsible for Integrity & Legal, bringing together the areas of Compliance, Legal, Intellectual Property, and Claim Management. The Supervisory Board passed a further resolution to appoint Stephan Rölleke as a member of the Executive Board of Vitesco Technologies Group AG responsible for Integrity & Law from October 1, 2023, to September 30, 2026.

At an extraordinary meeting on October 9, 2023, the Supervisory Board passed a resolution to establish a new committee, namely, an Committee on Schaeffler´s Tender Offer, to advise and monitor the Executive Board in connection with the announced takeover offer by Schaeffler AG and its planned merger of Vitesco Technologies Group AG into Schaeffler AG as well as to prepare the reasoned statement on the tender offer. The committee was assigned the task of advising and monitoring the Company’s Executive Board in connection with the tender offer made by Schaeffler AG and in particular to prepare the Supervisory Board’s reasoned statement and make decisions regarding its publication.

At a further extraordinary meeting on November 23, 2023, the Supervisory Board concerned itself with the statement on the tender offer by Schaeffler AG and the assessments of the offer by the Executive Board and the Committee on Schaeffler´s Tender offer. In addition, a resolution was passed to adjust the Executive Board’s remuneration system in connection with the tender offer and propose a transitional remuneration system for approval at the Annual General Meeting. To enable the Executive Board members to accept the tender offer, the Supervisory Board passed a resolution to deviate from the remuneration system in respect of certain obligations to buy and hold Company stock. Simultaneously, a resolution was passed for the required revision of the statement of compliance under AktG §161 due to the adjustment of the Executive Board remuneration system.

The focus of the Supervisory Board meeting on December 7, 2023, was in particular the 2024 annual plan, the long-term planning for 2025 to 2028, and capital expenditure and investment planned for 2024. Given the public tender offer by Schaeffler AG, the Supervisory Board passed a resolution for further adjustments to the Executive Board remuneration system and a corresponding adaptation of the statement of compliance with the German Corporate Governance Code. The

Supervisory Board approved the contracting of KPMG AG for the substantive testing of the Executive and Supervisory Board remuneration for the fiscal year 2023 as published in the remuneration report.

The members of the Supervisory Board have personal responsibility for the professional development and further training required for their duties, for example on changes to the legal environment and on new, Company-specific issues, and receive support from the Company for this. The members of the Supervisory Board are kept regularly informed of organizational changes at Vitesco Technologies Group AG. An induction event was held for new Supervisory Board members during the 2023 reporting period.

Prof. Siegfried Wolf

Key Issues for Supervisory Board Committees

A total of 35 committee meetings were held during the fiscal year 2023.

Chairman’s Committee

The Chairman’s Committee met a total of eight times during the fiscal year 2023. Of these meetings, one was held face to face with the option of participating virtually and seven as videoconferences. All the committee’s members attended all meetings except for Kirsten Vörkel and Ralf Schamel, who were prevented from attending once and twice respectively. Within the framework of competencies allocated to it by the Supervisory Board bylaws, the committee prepared resolutions for the full board and gave recommendations, for example on the remuneration of the Executive Board members, including the remuneration report; on the appointment of further Executive Board members, and on the renewal of D&O insurance.

Audit Committee

The Audit Committee met five times over the last year. Of these meetings, two were held face to face with the option of participating virtually and three as videoconferences. All the committee’s members attended them except for Georg F. W. Schaeffler and Klaus Rosenfeld, who were absent once. The Executive Board reported to the Audit Committee continuously and in detail on the development of sales, earnings, and employment within the Group and individual business units and on the financial situation of the Company. The Executive Board was assisted by the Head of General Accounting and Head of Central Controlling & Reporting, who were able to provide the Audit Committee with information directly at its meetings. In addition, the Chairwoman of the Audit Committee maintained regular contact with the Chief Financial Officer and the auditor outside the meetings.

Other key issues were the preparation of the Supervisory Board’s decision in relation to the 2022 annual and consolidated financial statements, the non-financial statements, the remuneration report, and the dependent company report.

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 were also available to provide information directly to the Audit Committee and its Chairwoman in coordination with the Executive Board. Likewise, the Head of Tax and Head of Technical Compliance held presentations for the Audit Committee. In accordance with the specifications of the German Corporate Governance Code, the topics surrounding sustainability also formed part of the reporting within the Audit Committee.

The Chairwoman of the Audit Committee shared key information as part of her regular reporting to the full Supervisory Board. In addition, the Executive Board reported 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. In this context, the Audit Committee studied the results of the audit of the appropriateness and effectiveness of the risk management system under IDW PS 981, which was performed voluntarily in 2022.

Other topics worth emphasizing include the conclusion of a control and profit and loss transfer agreement between Vitesco Technologies Group AG and Vitesco Technologies 2. Verwaltungs GmbH, which the Audit Committee approved, and the sale of Vitesco Technologies Emitec GmbH and of Vitesco Technologies Italy S.R.L.

At its meeting on November 10, 2023, the Audit Committee discussed, among other things, the current business development as at the end of the preceding quarter 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 AG for the substantive testing of the Executive Board remuneration for the fiscal year 2023.

On December 4, 2023, the Chairwoman of the Audit Committee awarded KPMG AG, the auditor chosen at the Annual General Meeting, the engagement to audit the annual and consolidated financial statements for 2023 as well as the dependent company report.

Conciliation Committee

The Conciliation Committee did not need to meet during the fiscal year.

Nomination Committee

The Nomination Committee did not meet during the 2023 reporting period.

Related Party Transaction Committee

The Related Party Transaction Committee met twice during the fiscal year 2023 without any need to decide on transactions requiring approval under AktG §111a. One of the meetings was held face to face with the option of participating virtually and one as a videoconference.

All committee members attended the meetings of the Related Party Transaction Committee.

Technology Committee

The Technology Committee met once during the fiscal year 2023. The meeting was held face to face with the option of participating virtually. The committee's focuses were the latest market developments in the automotive industry, considering in particular the regulations on carbon neutrality and EU7 legislation, as well as the strategic direction of Vitesco Technologies in this area. In addition, it examined the existing product portfolio in connection with the market developments expected in the automotive sector. Further topics for the Technology Committee included the electronics and software strategies and the IP strategy.

All committee members attended the Technology Committee's meeting.

Emissions Committee

The Emissions Committee met a total of five times. All meetings were held as videoconferences and all members attended all committee meetings, except for Ralf Schamel who was prevented from attending one meeting. The committee was given regular and comprehensive information about the current status of the Hanover district attorney's investigations in connection with alleged usage of illegal defeat devices and about internal investigation measures, including with the engagement of external legal counsel.

Committee on Schaeffler´s Tender offer

The newly formed Committee on Schaeffler´s Tender offer held 14 meetings during the fiscal year 2023. All meetings were held as videoconferences. The focuses of the committee were the preparation of the statement on the tender offer by Schaeffler AG and monitoring of the Executive Board during the negotiations for a business combination agreement with Schaeffler AG.

All members attended all committee meetings, except for Ralf Schamel, who was unable to attend three meetings.

Supervisory Board Member Attendance at Meetings of Supervisory Board and Committees

The following is an overview of the Supervisory Board members' attendance at meetings:

Name	Supervisory Board meetings			Committee meetings		
	Attendance	Meetings	% Attendance	Attendance	Meetings	% Attendance
Prof. Siegfried Wolf	10	10	100	13	13	100
Prof. Hans-Jörg Bullinger	10	10	100	1	1	100
Manfred Eibeck	10	10	100	24	24	100
Susanne Heckelsberger	9	10	90	24	24	100
Joachim Hirsch	10	10	100	22	22	100
Prof. Sabina Jeschke	10	10	100	1	1	100
Klaus Rosenfeld	7	10	70	4	5	80
Georg F. W. Schaeffler	9	10	90	13	14	93
Ralf Schamel[1]	8	10	80	13	19	68
Carsten Bruns	10	10	100	1	1	100
Kerstin Dickert[2]	10	10	100	5	5	100
Lothar Galli[3]	3	3	100	3	3	100
Yvonne Hartmetz	10	10	100	11	11	100
Lisa Hinrichsen[4]	7	7	100	16	16	100
Michael Köppl[5]	0	0	./.	2	2	100
Erwin Löffler	10	10	100	9	9	100
Kirsten Vörkel	9	10	90	11	13	85
Anne Zeumer	10	10	100	9	9	100

[1] Member unable to participate in the period October 24 to December 31, 2023 due to medical condition.

[2] Member of the Supervisory Board since March 1, 2023.

[3] Member of the Supervisory Board until April 30, 2023.

[4] Member of the Supervisory Board since May 1, 2023.

[5] Member of the Supervisory Board until February 28, 2023.

Corporate Governance

At its meeting on November 23, 2023, the Supervisory Board first passed a revision of the statement under AktG §161 on the recommendations of the German Corporate Governance Code in connection with deviations in the Executive Board's remuneration system and, at its meeting on December 6, 2023, passed another revision that had become necessary in connection with further adjustments of the remuneration system. There were no conflicts of interest for members of the Supervisory Board during the reporting period. In particular, when Supervisory Board members gave notice that they were party to a possible conflict of interest in this context, they absented themselves for entire meetings or individual agenda items. 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 non-financial statement for 2023

KPMG AG audited the annual financial statements as at December 31, 2023, 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 AG also audited the 2023 consolidated financial statements and the combined management report for the Company and the Group. The 2023 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 AG audited the Executive Board’s report on relations with affiliated companies pursuant to AktG § 312 (dependent company report). KPMG AG 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 4, 2024. Furthermore, the full Supervisory Board discussed them at length at its meeting to approve the annual financial statements on March 13, 2024. The discussions also concerned the combined non-financial 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 AG issued an unqualified opinion for the Group’s combined non-financial statement. Based on the Supervisory Board’s own review, the Audit Committee’s report with its preliminary examination and recommendation, and KPMG AG’s audit and unqualified opinion on the Group’s combined non-financial statement, the Supervisory Board finds that the Group’s combined non-financial statement is correct and appropriate and was prepared in accordance with HGB §§ 315b and 315c in conjunction with §§ 289c through 289e.

The Executive and Supervisory Boards will propose to the Annual General Meeting on April 24, 2024, that the total €14,341,389.17 distributable profit from the fiscal year 2023 be distributed in an amount of €10,005,299.00 for a dividend of €0.25 per share with dividend rights, with the remaining distributable profit being carried forward to the next period.

Personnel changes on the Supervisory Board and Executive Board

During the 2023 reporting period, Michael Köppl and Lothar Galli departed as members of the Supervisory Board with effect from February 28, 2023, and April 30, 2023, respectively. On the request of the Executive Board, Kerstin Dickert and Lisa Hinrichsen were appointed as new Supervisory Board members through a court-based replacement procedure with effect from March 1, 2023, and May 1, 2023, respectively.

Sabine Nitzsche and Stephan Rölleke were appointed as new members of the Executive Board with effect from October 1, 2023. Werner Volz departed the Executive Board after resigning from his position with effect from October 31, 2023.

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 13, 2024

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 November 2023:

"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.

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 April 28, 2022 ("GCGC"), have been and are being met since submission of the most recent statement of compliance on December 16, 2022, save for the following deviation:

- **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.

The Executive Board and Supervisory Board of Vitesco Technologies Group AG furthermore declare that deviations will be made from the following GCGC recommendations in the future:

- **GCGC recommendation G.8:** In accordance with recommendation G.8 of the GCGC, subsequent changes to the targets or comparison parameters shall be excluded when determining the amount of variable remuneration.

  Against the background of the Schaeffler AG´s tender offer, the Supervisory Board of Vitesco Technologies Group AG intends to propose a transitional remuneration system for approval at the Annual General Meeting in 2024. It will specify that the still-unpaid performance-based long-term incentive for previous years be settled early if the merger of Vitesco Technologies Group AG into Schaeffler AG takes effect or if the Company is delisted for some other reason. When calculating the target achievement that determines the payment amount, the target values or comparison parameters used as a basis may deviate from the specifications of the previous remuneration system, requiring a corresponding adjustment of the Executive Board contracts to the new remuneration system. This especially applies if the Vitesco Technologies Group AG stock price is used as a basis for calculating total target achievement.

The reason for this approach is that the usual procedure for the long-term incentives requires the Company to be listed for the entire four-year measurement period and the stock market value to be an appropriate measure of the Company's value and the performance of the Executive Board. If the Company is merged or delisted for some other reason before the four-year measurement period has ended, this requirement will no longer be met and, consequently, the long-term incentives will no longer be able to be settled through the originally planned process at the originally planned time. If the Company is merged, there will also cease to be an interest in long-term incentivization of the Executive Board in alignment with the previous as the Company will no longer exist as its own independent legal entity in this case. Since the Company's shareholders had the opportunity to sell their shares at the price most recently offered as part of the public tender offer, this price is an adequate representation of the shares's value.

- **GCGC recommendation G.10, second sentence:** In accordance with recommendation G.10, second sentence, of the GCGC, granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years.

  Against the background of the Schaeffler AG´s tender offer, the Supervisory Board of Vitesco Technologies Group AG intends to propose a transitional remuneration system for approval at the Annual General Meeting in 2024. It will specify that the still-unpaid performance-based long-term incentive be settled early if the merger of Vitesco Technologies Group AG into Schaeffler AG takes effect or if the Company is delisted for some other reason. Since the settlement is intended to occur before the originally planned four-year measurement period ends, the Executive Board members will have earlier access to their long-term remuneration as a result.

  The reason for this approach is that the usual procedure for the long-term incentives requires the Company to be listed for the entire four-year measurement period and the stock market value to be an appropriate measure of the Company's value and the performance of the Executive Board. If the Company is merged or delisted for some other reason before the four-year measurement period has ended, this requirement will no longer be met and, consequently, the long-term incentives will no longer be able to be settled through the originally planned process at the originally planned time.

  Furthermore, the Supervisory Board intends to rescind the three-year holding period for stock that the Executive Board members buy based on their obligation to invest a certain amount of their annual performance bonus into the acquisition of an amount of Company shares of equal value (share deferral) to the extent that this allows the Executive Board members to accept the tender offer by Schaeffler AG.

The Supervisory Board is of the opinion that it is necessary, in the long-term interests of the Company, to provide a possibility for Executive Board members to sell their shareholding. This is particularly necessary in order to secure freedoms for the Executive Board's actions in relation to the reasoned statement on the tender offer by Schaeffler AG. Limiting the shareholding obligations is the only way to make it possible for the Executive Board members to deal with their own shares in accordance with their personal opinions and, in doing so, send a signal to the market.

Regensburg, November 2023

Prof. Siegfried Wolf	Andreas Wolf
Supervisory Board Chairman	Chief Executive Officer"

On December 7, 2023, the Executive and Supervisory Boards revised the statement of compliance as follows:

"The Executive Board and Supervisory Board of Vitesco Technologies Group AG have, most recently in November 2023, published a statement pursuant to AktG §161 on meeting 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 (the **"2023 statement of compliance"**).

The 2023 state of compliance is hereby revised. The Executive Board and Supervisory Board of Vitesco Technologies Group AG declare that deviations will be made from the following further recommendations of the German Corporate Governance Code, as amended on April 28, 2022 (**"GCGC"**), in addition to the deviations declared in the 2023 statement of compliance.

- **GCGC recommendation G.8**: In accordance with recommendation G.8 of the GCGC, subsequent changes to the targets or comparison parameters shall be excluded when determining the amount of variable remuneration.

  As already communicated in the 2023 statement of compliance, the Supervisory Board intends to propose a transitional remuneration system for approval at the Annual General Meeting in 2024. In this respect, it is now also intended to replace the performance-based remuneration components that were planned in the original remuneration system for the 2024 fiscal year and – provided the Supervisory Board passes a resolution to apply the modified remuneration system in 2025 as well – for the 2025 fiscal year with a single, variable remuneration component: the sustainability and transformation bonus. It is designed to have performance targets deviating from the original variable remuneration components; in particular, these targets are also linked to the successful and smooth integration of Vitesco Technologies Group AG into the combined group of companies.

  The Supervisory Board is of the opinion that the conversion to a single sustainability and transformation bonus reflects the Company's special situation in view of the announced merger into Schaeffler AG. The target values in the variable remuneration components planned in the original remuneration system required mainly that the Company continued to exist permanently as a listed company. This perspective has changed as a result of the tender offer and the announced merger of the Company into Schaeffler AG.

  Moreover, when determining the key figures relevant for target achievement for the 2023 performance bonus, the Supervisory Board intends to disregard the costs and expenses that are or were incurred in direct connection with the planned merger into Schaeffler AG and the integration of Vitesco Technologies Group AG into the combined group of companies (e.g., consultant and bank fees).

These integration costs are due for external reasons beyond the responsibility of the Executive Board and ultimately serve the successful and smooth integration of Vitesco Technologies Group AG into the combined group of companies. The Supervisory Board therefore does not consider it proper for these integration costs to impact the 2023 performance bonus negatively, which means the key figures must be adjusted accordingly.

- **GCGC recommendation G.10, first and second sentences:** In accordance with GCGC recommendation G.10, first sentence, variable remuneration amounts of Management Board members shall be invested predominantly in company shares by the respective Management Board member, or shall be granted as share-based remuneration, taking the respective tax burden into consideration. In accordance with recommendation G.10, second sentence, of the GCGC, granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years.

  As already communicated in the 2023 statement of compliance, the Supervisory Board intends to propose a transitional remuneration system for approval at the Annual General Meeting in 2024. In this respect, it is now also intended to replace the performance-based remuneration components that were planned in the original remuneration system for the 2024 fiscal year and – provided the Supervisory Board passes a resolution to apply the modified remuneration system in 2025 as well – for the 2025 fiscal year with a single, variable remuneration component: the sustainability and transformation bonus. There will be no obligation for the remuneration granted based on the sustainability and transformation bonus to be invested in shares; it will not be granted on a share basis either. It is furthermore intended to disburse the sustainability and transformation bonus after determining the corresponding level of target achievement as at the end of the fiscal year or – if the Company is merged into Schaeffler AG at some point during the year – at a time immediately connected to the merger, with the result that the Executive Board member will have access to the sustainability and transformation bonus before four years have passed.

  The reason for this approach is that an obligation to invest variable remuneration components in shares or granting share-based variable remuneration components is, in the Supervisory Board's opinion, only proper when the Company continues to exist permanently as a listed company and the stock price generally represents the Company's value accurately and, in doing so, acts as a key indicator of the Executive Board's performance. This perspective has changed as a result of the tender offer and the announced merger of the Company into Schaeffler AG. In addition, the share price can be influenced to a greater degree than otherwise by factors not directly connected to the Executive Board's performance. Accordingly, it is not proper either to make the long-term variable remuneration components accessible to the Executive Board members only after four years. This is especially applicable as Vitesco Technologies Group AG will likely cease to be an independent legal entity in the 2024 or 2025 fiscal year due to the announced merger into Schaeffler AG.

The 2023 statement of compliance remains otherwise unmodified.

Regensburg, December 2023

Prof. Siegfried Wolf

Supervisory Board Chairman

Andreas Wolf

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. Older corporate governance statements can also be found there for a period of at least five years.

Key corporate governance practices

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

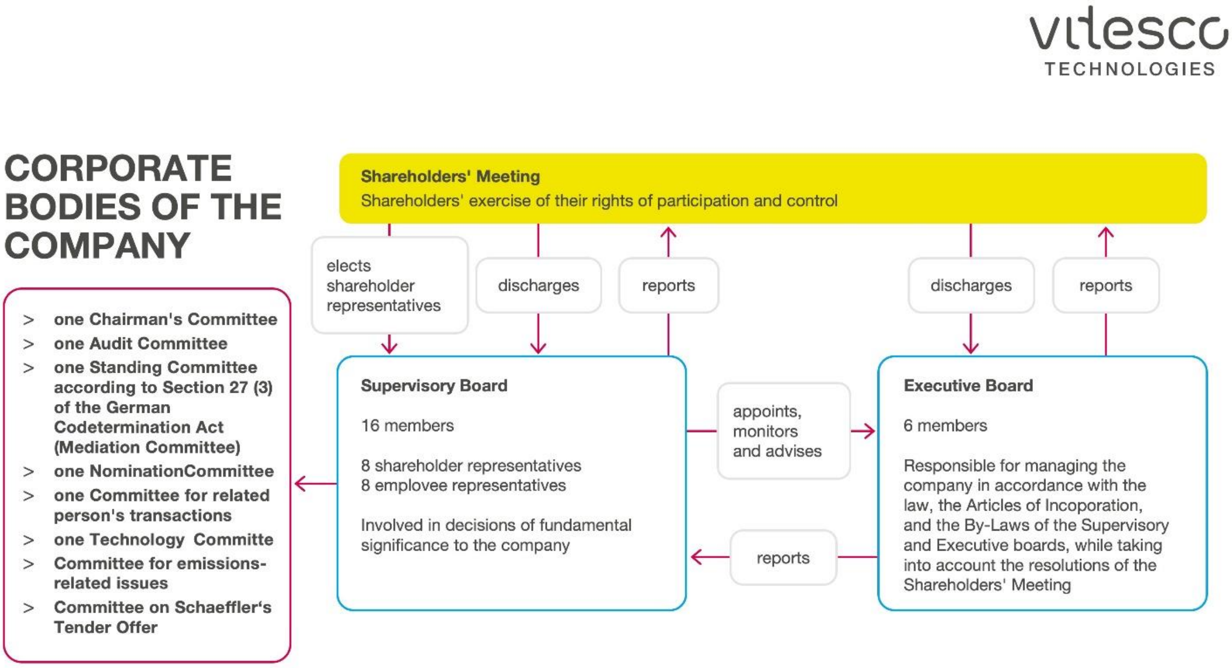
- Passionate, partnering, and pioneering are the corporate values of Vitesco Technologies Group AG. Our mission, vision, corporate values, and actions based on them are the foundation of our corporate culture. The Vitesco Technologies mission and vision are published on the Company's website in the "Company" 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 its working methods

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 by laws, 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 by 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 personally 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 has been the Chief Executive Officer of Vitesco Technologies Group AG since 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 six members. Following the carve-out, 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 its working methods

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. It makes sure that the knowledge, skills, and experience of all Executive Board members are varied and balanced, and applies the diversity concept that has been adopted. 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 Supervisory Board members who represent the shareholders have been appointed to positions lasting until the end of the 2027 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.

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. The Supervisory Board, with the support of external consultants, analyzed how effective it and its committees discharge their duties (self-assessment). To this end, the Supervisory Board completed extensive questionnaires on substantive and organizational topics. These were analyzed by a working group consisting of a shareholder representative and a workforce representative, with the support of external consultants. The results of the analysis and possible, concrete measures for the further improvement of the Supervisory Board’s activities, which were developed by the working group, were presented and discussed extensively at a meeting on March 29, 2023. A high level of satisfaction with the work of the Supervisory Board and its committees was evident. The discussions focused on questions relating to the composition and skills of the Supervisory Board, meeting management, and meeting subject matter. Suggestions for the further improvement of the Supervisory Board’s work were addressed directly.

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. It broadened this profile to address the sustainability-related questions that are relevant to the Company in line with the new requirements of the German Corporate Governance Code as amended on April 28, 2022. These questions include climate protection, clean mobility, resource efficiency and circularity, responsible sourcing and circularity, and fair work and diversity.

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)
>Climate protection
>Clean mobility
>Resource efficiency and circularity
>Responsible sourcing and partnerships
>Fair work and diversity
>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 away from internal combustion technology toward electric mobility, 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 demands for fulfilling duties

Each Supervisory Board member takes 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 demands on Supervisory Board members and candidates from other positions on supervisory boards or monitoring committees, active employment, or other duties must be considered in light of the above.

>Regular review/evaluation

The Nomination Committee nominates suitable individuals whom the Supervisory Board can in turn propose for election as shareholder representatives at the Annual General Meeting. The committee takes 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 is conducted at regular intervals to check the extent to which the Supervisory Board members and the composition of the Supervisory Board still align with the stated objectives and the extent to which the Supervisory Board in its current composition is equipped overall to properly fulfill its duties.

>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.

>Status of implementation of skills and expertise profile

	Shareholder representatives	**Bullinger**	**Eibeck**	**Heckelsberger**	**Hirsch**	**Jeschke**	**Rosenfeld**	**Schaeffler**	**Wolf**
Tenure	Member since	September 15, 2021	September 15, 2021	September 15, 2021	September 15, 2021	September 15, 2021	September 15, 2021	September 15, 2021	September 15, 2021
Personal aptitude	Independence*	Yes	Yes	Yes	Yes	Yes	No	No	Yes
	Position restrictions**	None	None	None	None	None	None	None	None
Diversity	Gender	M	M	F	M	F	M	M	M
	Year of birth	1944	1960	1964	1952	1968	1966	1964	1957
	Education	Univ.-Prof. Dr-Ing. habil. Prof. E.h. mult. Dr. h.c. mult. (mechanical engineering)	Degree in mechanical engineering	Degree in business administration, tax consultant, and auditor	Degree in business	Prof. Dr. (physics, mathematics, computer science)	Studied business and economics	Studied business and law	Prof. e.h. KR Ing.
	Nationality	German	German	German	German	German	German	German	Austrian
Skills and expertise	Leadership or supervision experience	✓	✓	✓	✓	✓	✓	✓	✓
	Industry knowledge in relation to Vitesco Technologies	✓	✓	✓	✓	✓	✓	✓	✓
	Strategy	✓	✓	✓	✓	✓	✓	✓	✓
	Codetermination rights	✓	✓	✓	✓	✓	✓	✓	✓
	Accounting, auditing of financial statements, and risk management			✓	✓		✓	✓	
	Technology and research	✓	✓		✓	✓			✓
	Sales and marketing				✓				✓
	Corporate social responsibility/ESG		✓	✓			✓		
	Climate protection	✓	✓				✓		
	Clean mobility	✓	✓		✓	✓			
	Resource efficiency and circularity	✓	✓				✓		
	Responsible sourcing & partnerships	✓	✓	✓	✓				
	Fair work and diversity			✓	✓	✓			
	Digitalization and Industry 4.0	✓			✓	✓			
	Stock corporation law and financial markets		✓	✓			✓	✓	✓

✓ = A checkmark means at least good knowledge (2) on a scale from 1 (very good knowledge) to 6 (no knowledge).
* = According to German Corporate Governance Code or, in exceptional cases, according to the Company's justification.
** = According to German Corporate Governance Code: "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 non-group listed companies or comparable roles, with an appointment as chair of a supervisory board being counted twice. Members of the management board of a listed company shall not have, in aggregate, more than two supervisory board mandates at non-group listed companies or comparable roles, and shall not accept the chairmanship of a supervisory board at a non-group listed company."

	Workforce representatives	**Bruns**	**Dickert**	**Hartmetz**	**Hinrichsen**	**Löffler**	**Schamel**	**Vörkel**	**Zeumer**
Tenure	Member since	September 15, 2021	March 1, 2023	September 15, 2021	May 1, 2023	September 15, 2021	September 15, 2021	September 15, 2021	September 15, 2021
Personal aptitude	Position restrictions**	None	None	None	None	None	None	None	None
Diversity	Gender	M	F	F	F	M	M	F	F
	Year of birth	1971	1975	1970	1991	1966	1972	1965	1979
	Education	Vehicle electrician, degree in automotive manufacturing	Fully qualified attorney	Specialist restaurant worker	Industry economist	Structural mechanic Quality laboratory group leader Works council	Commercial IT education	Office manager	IT system electrician BA in social economics (business & labor law)
	Nationality	German	German	German	German	German	German	German	German
Skills and expertise	Leadership or supervision experience		✓	✓	✓	✓	✓	✓	✓
	Industry knowledge in relation to Vitesco Technologies	✓	✓	✓	✓	✓	✓	✓	✓
	Strategy		✓		✓	✓	✓	✓	✓
	Codetermination rights	✓	✓	✓	✓	✓	✓	✓	✓
	Accounting, auditing of financial statements, and risk management		✓		✓		✓	✓	
	Technology and research	✓							✓
	Sales and marketing			✓	✓		✓		
	Corporate social responsibility/ESG	✓	✓	✓	✓	✓	✓	✓	
	Climate protection					✓	✓	✓	
	Clean mobility	✓		✓		✓	✓		
	Resource efficiency and circularity					✓	✓		
	Responsible sourcing & partnerships		✓		✓	✓		✓	
	Fair work and diversity	✓	✓	✓	✓	✓	✓	✓	✓
	Digitalization and Industry 4.0	✓	✓		✓	✓	✓	✓	✓
	Stock corporation law and financial markets				✓		✓	✓	

✓ = A checkmark means at least good knowledge (2) on a scale from 1 (very good knowledge) to 6 (no knowledge).

* = According to German Corporate Governance Code or, in exceptional cases, according to the Company's justification.

** = According to German Corporate Governance Code: "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 non-group listed companies or comparable roles, with an appointment as chair of a supervisory board being counted twice. Members of the management board of a listed company shall not have, in aggregate, more than two supervisory board mandates at non-group listed companies or comparable roles, and shall not accept the chairmanship of a supervisory board at a non-group listed company."

Supervisory Board committees

The Supervisory Board has the following committees: 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)), a Technology Committee and an Emissions Committee. The Schaeffler´s Tender offer Committee was also established on October 12, 2023, and dissolved on January 10, 2024. With the same resolution, the Supervisory Board set up an Ad Hoc Merger Committee tasked with monitoring the Executive Board in connection with the merger of the Company into Schaeffler AG.

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 setting 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 looks after the auditing of the accounts; monitors the accounting process, 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. The Technology Committee acts in a supporting capacity in the area of technical compliance. Furthermore, the Audit 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 non-financial 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 and risk management systems. Owing to her many years' work as an auditor at various auditing firms, she similarly has special knowledge and experience in auditing. Susanne Heckelsberger should, for this reason, be viewed as having the appropriate expertise in accounting as well as auditing, as demanded by the German Corporate Governance Code. Another committee member, Klaus Rosenfeld, is also a financial expert. With many years' experience as a chief financial officer at multiple listed companies, he similarly has special knowledge and experience in accounting principles and internal control and risk management systems. Accounting and auditing include sustainability reporting and the auditing of such reporting, too. The other members are Kerstin Dickert, Yvonne Hartmetz, Lisa Hinrichsen, and Georg F. W. Schaeffler. Previous members Michael Köppl and Lothar Galli departed with effect from February 28, 2023, and April 30, 2023.

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 (Chairman), 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 (Chairman), Georg F. W. Schaeffler, Ralf Schamel, and Kirsten Vörkel.

The Related Party Transaction 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 Related Party Transaction Committee consists of Joachim Hirsch (Chairman), Manfred Eibeck, Kerstin Dickert, and Erwin Löffler. Previous members Michael Köppl and Lothar Galli departed with effect from February 28, 2023, and April 30, 2023.

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 committee also provides support for technical compliance.

The Technology Committee is made up of Prof. Hans-Jörg Bullinger (Chairman), Carsten Bruns, Yvonne Hartmetz, Kerstin Dickert, Joachim Hirsch, Prof. Dr. Sabina Jeschke, Georg F. W. Schaeffler, and Ralf Schamel. Michael Köppl departed with effect from February 28, 2023.

The Emissions Committee is 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 district attorney against companies including Continental AG on account of suspected involvement in developing illegal defeat devices in diesel engines.

The Emissions Committee consists of six members, of whom three are shareholder representatives and three are workforce representatives. The shareholder representatives on the Emissions Committee are Prof. Siegfried Wolf, Susanne Heckelsberger, and Joachim Hirsch, while the workforce representatives on it are Ralf Schamel, Kirsten Vörkel, and Yvonne Hartmetz. Prof. Siegfried Wolf chairs the Emissions Committee.

The Committee on Schaeffler´s Tender offer, constituted in response to the announcement of Schaeffler AG's public tender offer, had the responsibility to advise and monitor the Executive Board in connection with the announced takeover offer by Schaeffler AG and its planned merger of Vitesco Technologies Group AG into Schaeffler AG as well as to prepare the reasoned statement on the tender offer.

The Schaeffler´s Tender offer Committee was comprised of Joachim Hirsch (Chairman), Manfred Eibeck, Susanne Heckelsberger, and Lisa Hinrichsen as well as Anke Zeumer, who replaced Ralf Schamel since the meeting on November 8, 2023.

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 opening of the Annual General Meeting and the speech by the Chief Executive Officer can be watched live in the “Investors” section of the Company’s website (ir.vitesco-technologies.com). 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. Resolutions were passed at the Annual General Meeting on May 17, 2023, to elect KPMG AG as the auditor of the annual and consolidated financial statements for fiscal year 2023 and as auditor for the auditor’s review of the half-year financial report, and to appoint KPMG AG as auditor for any auditor’s review of interim financial reports that may need to be carried out.

Internal control system and risk management

Diligent corporate management and good corporate governance also require responsible risk management. 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)

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 2023, 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, 2024. 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 50.0% as at December 31, 2023. As a global enterprise, the Vitesco Technologies Group AG 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.

Compliance with statutory gender representation requirement for Executive Board

Under AktG §76(3a), at least one woman and at least one man must be members of the Executive Board of Vitesco Technologies Group AG (minimum gender representation requirement). By appointing Sabine Nitzsche as an Executive Board member, Vitesco Technologies Group AG has fulfilled this requirement.

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 17.0% 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 also follows the recommendations of the German Corporate Governance Code as amended on April 28, 2022.

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 takes the following into account as regards 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 case.

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, six-member composition of the Executive Board meets the specified objectives. The Executive Board's ages currently range from 51 to 63, with an average age of 57.

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

The Vitesco Technologies Group is shaped by its corporate values of “passionate,” “partnering,” and “pioneering,” which demand honest and responsible actions toward its stakeholders such as customers, employees, suppliers, and the Company as a whole. Accordingly, the specifications in the statutory provisions applicable to Vitesco Technologies Group AG and its subsidiaries, as well as the internal rules, together offer unshakable principles for the actions of the management and all employees. They simultaneously form a core element of the Group’s corporate culture and represent a perspective encapsulated in the binding Code of Conduct. Various aspects of this code were developed further during the reporting period, and the latest version from November 1, 2023, supersedes the previous one. The Executive Board is explicitly committed to the principles and zero-tolerance approach laid out in the Code of Conduct.

The Legal Compliance department is in this context particularly responsible for the consistent, ongoing development of the Vitesco Technologies Group legal compliance management system (legal CMS). The legal CMS is based on Germany’s IDW PS 980 audit standard and is described in detail in a dedicated Group-wide guideline. The aim of the legal CMS is firstly to prevent or mitigate compliance risk in the five areas of corruption, antitrust law, money laundering, conflicts of interest, and data protection through the usage of suitable processes and tools, guidelines (e.g., the anticorruption, antitrust, and donation and sponsorship guidelines as well as the Business Partner Code of Conduct), and resources. Other departments and/or roles coordinate closely with Legal Compliance on other compliance issues such as technical compliance, capital market compliance, environmental protection, health and safety, IT security, cybersecurity, supply chain obligations, and trade sanctions. Secondly, the legal CMS aims to ensure that compliance breaches that occur despite preventive measures are detected with reasonable assurance at an early stage and that the required measures are taken promptly to stop these breaches and prevent them in the future.

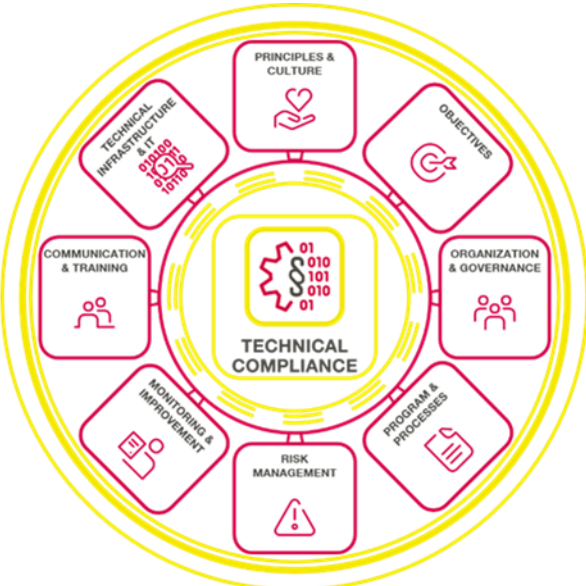
The overarching aim of the legal CMS is to make a fundamental contribution to the creation of a Company-wide, positive compliance culture. Vitesco Technologies takes care that this compliance culture is practiced and consistently supported by the management and all employees. It strives for this through a “tone from the top and from the middle,” a tone which was set clearly by the Executive Board members and regional managers during the reporting period at more than a dozen town hall meetings in America, Asia, and Europe dedicated solely to the subjects of compliance and integrity. Vitesco Technologies has also created a trust-based culture where every employee is empowered to speak about compliance-related topics candidly. For instance, reports of potential deficiencies not only can be made to those in governance roles, but also through an Integrity Line accessible internally and externally, including anonymously if so desired by the person making the report. There is a further guideline that transparently governs the responsibilities and processes for responding to and then processing such reports in compliance with data protection law.

The Executive Board of Vitesco Technologies Group AG has delegated to the Chief Compliance Officer the duties and obligations to develop and consistently enhance the legal CMS; the Chief Compliance Officer reports directly to the responsible Executive Board member (since October 1, 2023: Executive Board member for Integrity & Law; until September 30, 2023: Chief Financial Officer). Furthermore, he or she provides information about the status of the legal CMS every quarter to the Audit Committee of the Vitesco Technologies Group AG Supervisory Board. The Chief Compliance Officer therefore is responsible for the leadership and strategic direction of the organizational structure for legal compliance. This structure now comprises roughly 25 employees globally, most of them lawyers, though also including experts from other fields. It is made up of regional and central departments which are led by currently five (in the future likely seven) managers who report directly to the Chief Compliance Officer. The compliance structure is also supported globally by roughly 40 “compliance champions” and 40 data protection coordinators who receive instructions from the Chief Compliance Officer and his or her managers.

Every employee can 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 at the national subsidiaries who can be contacted locally. 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, Vitesco Technologies has 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 seven basic elements in accordance with IDW PS 980 and ISO 37301. Moreover, 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, and software and hardware across the entire product life cycle, from a product's development to disposal and recycling. The employees are given certainty in compliance with TC specifications through a clear definition of the responsibilities of business areas and individual employees, corresponding professional development and training, orientation from the "I use my voice" conduct motto, and the firm integration of factors related to technical compliance into the programs, processes, and tools of Vitesco Technologies. Vitesco Technologies has established a clearing house to resolve issues with interpretation. If needed, the 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 Executive Board member for Integrity and Legal. 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 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 the fiscal year 2023. Vitesco Technologies Group AG, based in Regensburg, Siemensstrasse 12, Germany, is the parent company of the Vitesco Technologies Group (also referred to below as Vitesco Technologies) and a publicly listed stock company. The remuneration report also includes extensive disclosures of the individual remuneration awarded, due, or granted to members of the Executive and Supervisory Boards in the fiscal year 2023. The remuneration system described here was approved by an 83.21% majority at the 2022 Annual General Meeting and applied for the fiscal year 2023. The 2022 remuneration report was approved by a 94.99% majority at the 2023 Annual General Meeting. The Executive and Supervisory Boards see this large majority vote at the Annual General Meeting as encouragement of their transparent reporting.

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 April 28, 2022. The 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 mandated by law. The auditor’s report regarding the remuneration report is additionally 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 2023 in retrospect

Starting in the fiscal year 2023, Vitesco Technologies further increased its focus on the electrification business. The four business units – Electronic Controls, Electrification Technology, Sensing & Actuation, and Contract Manufacturing – were concentrated into two newly organized units: the Powertrain Solutions and Electrification Solutions Divisions. Through this structural adjustment, Vitesco Technologies has intensified its strategic focus on electric drive systems further and, in doing so, to operate in the market for sustainable drive technologies in an even more effective, efficient, and flexible manner. The focus on growth and adding value that comes with the reorganization involves a leaner and transparent organizational structure. This enables an even better utilization of resources in the persistent, accelerating change towards e-mobility and takes into account the Company’s ambitious Sustainability Agenda.

Vitesco Technologies still achieved good results despite the persistent challenges in the market. This is attested to by the growth of its sales to €9.2 billion (previous year: €9.1 billion), the improvement of its net operating income to €172.2 million (previous year: €143.3 million), the increase of its return on capital employed (ROCE) to 6.0% (previous year: 5.2%), and its positive free cash flow of €84.9 million (previous year: €123.2 million). Accordingly, Vitesco Technologies was able to maintain its position in a challenging market environment. The positive business development is also reflected in the target achievement of the performance bonus. Vitesco Technologies also moved up to the MDAX in July 2023.

On October 9, 2023, Schaeffler AG published a voluntary public tender offer for Vitesco Technologies Group AG. The offer document, with a bid of €91 per share, was published on November 15, 2023. On November 27, 2023, Schaeffler AG published a revised tender offer with an increased bid of €94 per Vitesco Technologies share. The Executive and Supervisory Boards of the Company gave their opinions on the voluntary public tender offer from Schaeffler AG in their joint reasoned statement on November 27, 2023. The statement considered the business combination agreement signed with Schaeffler AG that same day, which laid out key parameters for the merger and framework for future collaboration between the two companies. The executive and Supervisory Boards agree with the view of the Schaeffler AG that creating a combined company can produce significant strategic advantages in certain areas. The Executive Board will continue to independently conduct business until the time of a planned merger.

There were changes to the Executive Board in the fiscal year 2023. With the reorganization, Klaus Hau leads the Powertrain Solutions Division and Thomas Stierle the Electrification Solutions Division since January 1, 2023. Additionally, Werner Volz (Chief Financial Officer) stepped down from his position as a member of the Executive Board with effect from October 31, 2023. Sabine Nitzsche joined the Executive Board with effect from October 1, 2023, and took on the role of Chief Financial Officer as of November 1, 2023. A new Executive Board position overseeing Integrity and Law has also been created, for which Stephan Rölleke has been responsible since October 1, 2023. Consequently, the Vitesco Technologies Group AG Executive Board at the end of the fiscal year 2023 consists of six individuals, Andreas Wolf (Chairman of the Executive Board), Sabine Nitzsche (Chief Financial Officer), Ingo Holstein (Chief Human Resources Officer), Stephan Rölleke (Member of the Executive Board for Integrity and Law), Klaus Hau (Member of the Executive Board, Head of Powertrain Solutions Division), and Thomas Stierle (Member of the Executive Board, Head of Electrification Solutions Division).

Remuneration Governance

The current remuneration system for members of the Vitesco Technologies Group AG Executive Board has been in effect since fiscal year 2022. The following provides details about this system and its application in the fiscal year 2023. Due to the public tender offer by Schaeffler AG and the planned merger, there occurred an exceptional situation in 2023 which caused the Supervisory Board to make selective deviations from the remuneration system. These deviations are explained in the remuneration report.

In accordance with the current remuneration system of Vitesco Technologies Group AG, the Supervisory Board sets the target remuneration for the Executive Board members 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.

To set the remuneration for the fiscal year 2023, the Supervisory Board considered, among other things, the opinion given by an external, independent remuneration consultant in the 2021 fiscal year which confirmed that the Executive Board’s remuneration was in line with the market. Most recently, an external, independent remuneration consultant checked and confirmed in fiscal 2023 that the Executive Board’s remuneration was in line with the market. Given the Company’s location and size the companies in the MDAX and SDAX were used as a mixed peer group for the 2021 benchmark. For the benchmark conducted in 2023 the companies in the MDAX were used given the Company’s public listing. 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. The Supervisory Board remains of the opinion that Executive Board members' target total remuneration is appropriate and in line with the market. No adjustments were made to the Executive Board members' remuneration during the fiscal year 2023.

Basic Attributes 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 strategy pursued by the Vitesco Technologies Group.

Leader in Electrified Solutions	In the context of our DIRECTION 2030, the focus is on increasing sales and the market share of the Electrified Business of the Vitesco Technologies Group. This is anchored by the financial performance targets, e.g., the earnings figure in the short-term variable remuneration.
Business Excellence	Reflected in the short-term variable remuneration by anchoring efficiency and profitability.
Great People Great Company	We attribute great importance to our employees. For example, the long-term variable remuneration includes a sustainability component that focuses on our employees.
Driver of Sustainability	Sustainability and CO_2 neutrality are a central theme of the DIRECTION 2030 and are anchored as a complementary sustainability component in the long-term variable remuneration.
Investor's Choice	Vitesco Technologies is an attractive company for investors, and we attribute great importance to taking the interests of our investors into account. This is reflected in the share-based long-term variable remuneration.

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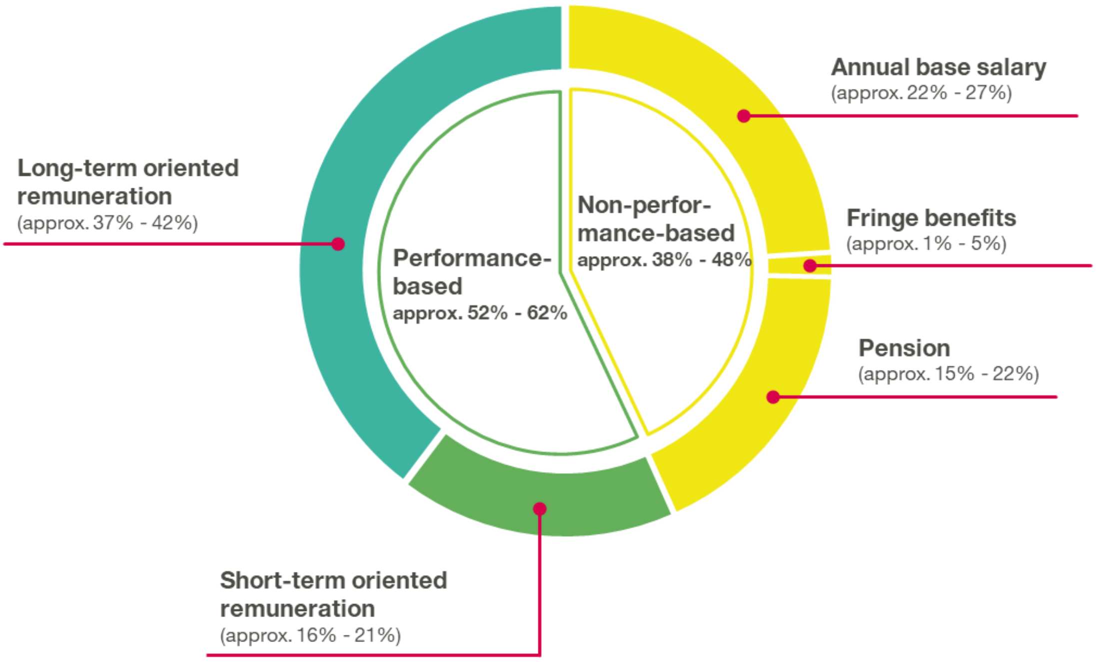
In addition to this link to corporate strategy, a close link to performance – pay for performance – is also ensured by paying predominantly variable remuneration and by integrating specific targets.

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 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 takes into account the 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 structure for the Executive Board members, in accordance with the remuneration system, is as follows:



The remuneration components are structured mainly as follows:

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: > EBIT margin or EBIT > ROCE > Free cash flow > 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

The remuneration system does not foresee provisions for one-time payments or special bonuses. Such payments were not made in the fiscal year 2023.

The current remuneration system for the members of the Vitesco Technologies Group AG Executive Board provides a possibility for the Supervisory Board to deviate from the remuneration system temporarily in the event of extraordinary developments. Due to the public tender offer by Schaeffler AG and the planned merger, explained above, there occurred an exceptional situation which caused the Supervisory Board to make selective deviations from the remuneration system. The aim behind the deviation is to maintain the incentive effect of the Executive Board members' remuneration in the interests of the long-term prosperity of the Company and of the combined company that will be created in the future as a result of the planned merger with Schaeffler AG. In particular, the deviations pertain to the remuneration parameters linked to the share price of Vitesco Technologies Group AG and the definition of performance criteria for the fiscal year 2023.

The following particular aspects are deviated from:

Performance bonus equity deferral and share ownership guideline:
The Executive Board members were given the possibility during the fiscal year 2023 of accepting the tender offer from Schaeffler AG and selling their shares held, which is a deviation from the obligation in the remuneration system to invest a specific amount of the annual performance bonus into the purchase of a number of Company shares of equal value and to hold them for a period of three years, and also from the obligation to buy and hold a minimum shareholding in accordance with the share ownership guideline. The Supervisory Board believed it was necessary, in the long-term interests of the Company and of the combined company that will be created in the future as a result of the planned merger with Schaeffler AG, to provide a possibility for Executive Board members to sell their shares. This was required in order to secure freedom for the Executive Board's actions in relation to the joint reasoned statement on the tender offer by Schaeffler AG. Limiting the share buy and hold obligations was the only way to make it possible for the Executive Board members to deal with their own shares in accordance with their personal opinions and, in doing so, send a signal to the market. The Executive Board members utilized this possibility and accepted the offer, as declared in the joint reasoned statement. Moreover, it did not seem certain that the share price would continue to reflect the Company's fundamental value; for this reason, there were doubts as to whether the buy and hold obligations resulted in an appropriate incentive for the Executive Board members. It is also for this reason that the Executive Board members were released from the obligation to buy further shares in the Company in the future (as part of the performance bonus equity deferral for the fiscal year 2023 as well as under the share ownership guideline).

Adjustment of the performance criteria for expenses in connection with the integration into Schaeffler:
The Supervisory Board sets specific targets before the start of the fiscal year for the performance criteria defined in the remuneration system. Also, in deviation from the adjustments provided for in the remuneration system, the values achieved under the performance criteria for the annual performance bonus in 2023 were additionally adjusted to account for expenses in connection with the integration into Schaeffler. To this end, the achieved indicators that count as financial performance criteria for the calculation of the annual performance bonus were adjusted to exclude expenses and costs incurred in direct connection with the public tender offer and integration of Vitesco Technologies Group AG into the combined company to be formed with Schaeffler AG. It was impossible for the Executive Board members at the start of the year to foresee expenses arising in connection with the integration into Schaeffler in this situation, so it would not be objectively justified for these expenses to have a disadvantageous effect on the Executive Board remuneration. The link to performance and the fairness of the remuneration system would not be ensured if the relevant financial indicators achieved were not adjusted for this effect. A lack of adjustment would also significantly skew the incentive effect as the Executive Board members would have derived personal advantages from minimizing expenses in connection with the tender offer and integration. This would run against the Company's long-term interests since optimal preparation for the integration is crucially important for the Company's future viability.

Early settlement of long-term incentives that have not yet been paid: In addition, the exceptional situation described above has prompted the Supervisory Board to make modifications to the remuneration system and to submit an adjusted remuneration system to the 2024 Annual General Meeting. The remuneration system provides for, amongst other topics, an early settlement of the long-term incentives from previous years that have not yet been paid out up to and including 2023 in the event of a merger of the Company or the discontinuation of the stock exchange listing for other reasons. The overall target achievement and the payout amount are generally determined at the time of early settlement on the basis of the parameters provided for in the previous remuneration system with the adjustments explained below. To the extent that the calculation of the overall target achievement and the payout amount is based on the share price of Vitesco Technologies Group AG, the final offer price that Schaeffler AG offered to shareholders in the context of the public tender offer at the end of the acceptance period per share will be taken as a basis, i.e. €94 per share. Insofar as the determination of the overall target achievement is based on the Company’s sustainability score, the Company’s sustainability score determined for 2023 is to be used for all tranches that have not yet been settled and paid out. Insofar as the calculation of the overall target achievement is based on the STOXX Europe 600 Automobiles & Parts (SXAGR), the arithmetic average of the closing prices of this index during the acceptance period from November 15 until December 15, 2023 will be used – in deviation from the previous remuneration system. The payout will be made within one month of settlement.

The reason for this approach is that the ordinary settlement of the long-term incentives requires that the Company is listed on the stock exchange for the entire four-year performance period and that the market capitalization is an appropriate measure of the value of the Company and the performance of the Executive Board. If the Company’s listing on the stock exchange is discontinued before the end of the four-year performance period, this condition is no longer met, so that the long-term incentives can no longer be settled in the originally envisaged procedure and at the originally envisaged time. At the same time, with the merger of the Company or with the resolution to merge the Company or otherwise terminate the stock exchange listing, the significance of the share price as a valid measure of the value of the Company ceases to exist, so that an incentive of the Executive Board based on previous standards is no longer guaranteed. Since the shareholders of the Company had the opportunity to sell their shares for the final offer price offered as part of the public tender offer, this final offer price, i.e. €94 per share, adequately reflects the value of the shares.

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 in accordance with Sec. 87a(1) sentence 2 no. 1 AktG. 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, fringe benefits, pension plan contributions, performance bonus including equity deferral, and long-term incentive). This total amount is set at €6.2 million for the Chairman of the Executive Board and €3.2 million for ordinary Executive Board members. Unless there is an early settlement and payout as described above, a disclosure about adherence to the maximum remuneration in the fiscal year 2023 will be made in the remuneration report for the 2026 fiscal year once the LTI assessment period has ended.

Non-performance-based remuneration components in 2023

Annual Base Salary

The annual base salary is paid in twelve equal amounts, one each month, and is paid pro rata if a member joins or leaves the Executive Board during a fiscal year. The annual base salary for the full fiscal year is €800 thousand for the Chairman of the Executive Board, €450 thousand for the Chief Financial Officer, €400 thousand for the Chief Human Resources Officer and Executive Board members with responsibility for a specific business area, and €300 thousand for the Executive Board member overseeing Integrity and Law. The remuneration, including the annual base salary, has not been increased for existing Executive Board members 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 mainly 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 fiscal year 2023.

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 pursuant to Sec. 162(2) no. 3 AktG. 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 their 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, 2023. Please note that for Mr. Volz, Ms. Nitzsche, and Mr. Rölleke prorated values are disclosed due to their start/exit dates in the course of 2023.

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Retirement Entitlements in € Thousand

	IAS 19			
	Service cost		Defined benefit obligation	
	2023	**2022**	**2023**	**2022**
Andreas Wolf	455	656	1,175	612
Werner Volz (until Oct. 31, 2023)	163	275	468	262
Sabine Nitzsche (from Oct. 1, 2023)	61	–	61	–
Ingo Holstein	198	314	524	267
Stephan Rölleke (from Oct. 1, 2023)	39	–	39	–
Klaus Hau	190	296	492	248
Thomas Stierle	200	343	529	260

The Executive Board members do not receive any further Company pension benefits apart from the described here.

Performance-based remuneration components in 2023

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

Performance bonus

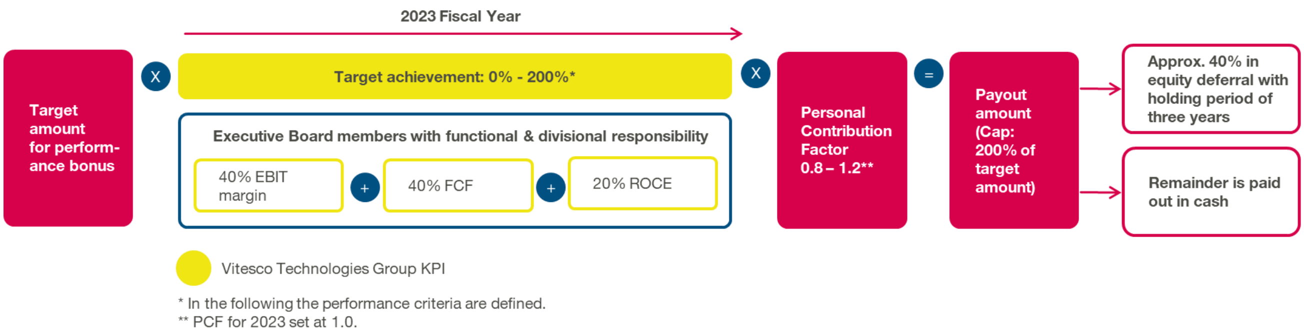
Performance bonus' contribution in supporting business strategy

With the sustainability-oriented business strategy, Vitesco Technologies focuses on profitability, efficiency, and innovation. By using EBIT margin or 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. With the non-financial "personal contribution factor" not only financial incentives are taken into account, but also the Company's organizational development and customer focus can be considered.

The annual performance bonus runs for a one-year period. 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 targets of 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) goes toward deferred shares that do not vest until after three years. The deferred shares are tied to the development of the stock price during the holding period. The remaining amount is paid out in cash.

The performance bonus as a whole comprises the following:



A deviation was made from the remuneration system in the fiscal year 2023 to release the Executive Board members from their obligation to buy further shares in the Company in the future as part of the performance bonus equity deferral.

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 margin or EBIT, FCF and ROCE.

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. In deviation from these adjustments provided for in the remuneration system, the EBIT achieved for the fiscal year 2023 was additionally adjusted to account for expenses in connection with the integration into Schaeffler. EBIT is an indicator of operational profitability and acts as an incentive to increase the Company's future profit. The **EBIT margin** was applied as a performance criterion during the fiscal year 2023. The EBIT margin is a relative key figure that is defined as the ratio of EBIT to sales. The EBIT margin enables a transparent assessment and high comparability of operational performance and profitability over time.

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.

ROCE (return on capital employed) is determined as the ratio of the adjusted operarting result (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.

The financial performance criteria are applied for all Executive Board members, whereas Executive Board members who are responsible for a business area can also be assessed against financial performance criteria for the business area they are in charge of. These criteria may include the KPIs EBIT margin or EBIT, FCF, and ROCE. For Executive Board members overseeing a business area, there was no additional consideration of financial performance criteria for the area overseen during the fiscal year 2023. The reason for this is the transformation that occurred in the fiscal year 2023 which meant that the focus of the remuneration was fully on the Group's overall performance.

Andreas Wolf, Werner Volz, Sabine Nitzsche, Ingo Holstein, and Stephan Rölleke are or were responsible for a central function. Klaus Hau and Thomas Stierle are each in charge of a business area. When calculating their target achievement based on the financial performance criteria for the performance bonus, 40% of the calculation for the fiscal year 2023 is based on the Group's EBIT margin, 40% on its FCF, and 20% on its ROCE. The same weighting as for the Executive Board members for central functions is applied to Executive Board members overseeing an area of responsibility during the fiscal year 2023.

The following table, Target Achievement for 2023 Performance Bonuses, lays out the financial targets set for the fiscal year 2023 and their individual weighting.

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 personal contribution factor are set by the Supervisory Board before the start of every fiscal year and translated into specific target values no later than the beginning of the fiscal year. This allows the Supervisory Board to consider the Executive Board's individual or collective achievements based on non-financial performance criteria in addition to the financial performance criteria. The Supervisory Board can choose from the following topics set out in the remuneration system when selecting the criteria:

- Leading company for electrified powertrain solutions and first choice of our customers (e.g., market share in key markets, new products, competitiveness, customer orientation)
- Implementation of transformations (e.g., lean management, qualification measures, reorganization)
- Corporate and cultural development (e.g., identification with corporate values, employee satisfaction, increasing brand presence, diversity and inclusion)

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 fiscal year 2023; therefore, the PCF is 1.0 for all Executive Board members. From the Supervisory Board's point of view, the reorganization into two Divisions at the start of the fiscal year 2023 meant that Vitesco Technologies was in a phase when the performance of the Executive Board as a team took priority for performance evaluation, rather than the personal contribution of individual Executive Board members. In particular, the ongoing implementation of transformation projects was a task shared by all Executive Board members during the fiscal year 2023. Moreover, in order to respond with flexibility to market developments, the Supervisory Board did not set any individual remuneration targets that would have committed the Executive Board to developing specific, individual segments of markets, products, or customers.

Targets and target Achievement for the Performance Bonus in the 2023 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 2023 Performance Bonuses

	Minimum	Target	Maximum	Actual	Weighting in %	Target achievement in %
EBIT margin of Vitesco Technologies Group (% points)	1.9	2.9	3.9	3.3	40.0	145.0
FCF of Vitesco Technologies Group (in € million)	–149.6	–24.6	100.4	47.2	40.0	157.4
ROCE of Vitesco Technologies Group (% points)	6.3	9.7	13.1	10.8	20.0	131.4

The payout amounts presented below are calculated based on the individual target amounts granted in conjunction with target achievement as measured against the performance criteria. Prorated values are disclosed for Werner Volz as well as for Sabine Nitzsche and Stephan Rölleke due to their exit and start respectively in the course of the year.

Summary of 2023 Performance Bonuses

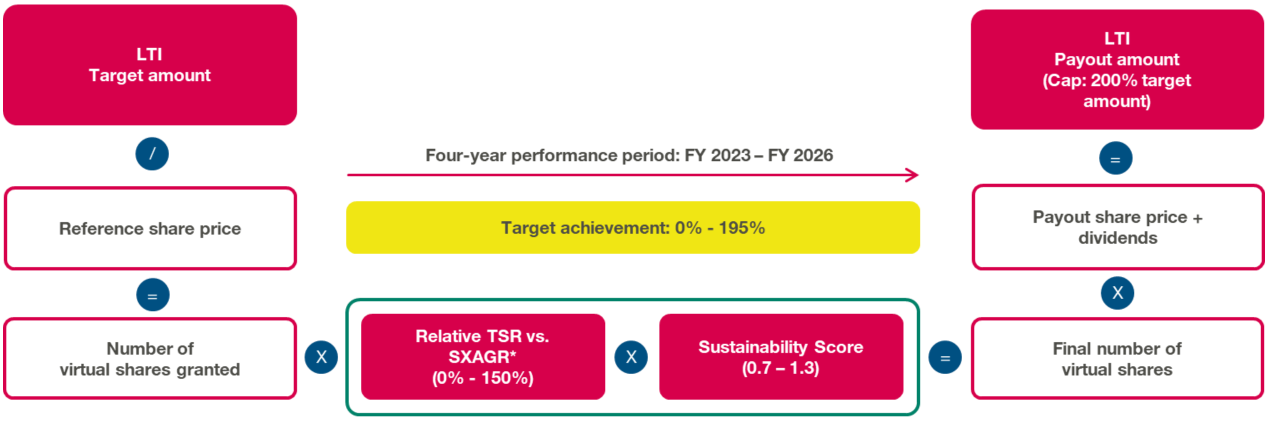
	Target in € thousand	Target achievement financial performance criteria in %	Personal contribution factor 1	Total target achievement ina %	Total payment amount in € thousand	Total deferral in € thousand2
Andreas Wolf	1,200	147.2	1.0	147.2	1,767	0
Werner Volz (until Oct. 31, 2023)	416	147.2	1.0	147.2	613	0
Sabine Nitzsche (from Oct. 1, 2023)	126	147.2	1.0	147.2	186	0
Ingo Holstein	450	147.2	1.0	147.2	663	0
Stephan Rölleke (from Oct. 1, 2023)	88	147.2	1.0	147.2	130	0
Klaus Hau	450	147.2	1.0	147.2	663	0
Thomas Stierle	450	147.2	1.0	147.2	663	0

1) The Supervisory Board did not define any personal performance criteria for the 2023 fiscal year. For this reason, the value for the personal contribution factor is 1.0 for the 2023 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. A deviation was made from the remuneration system in the fiscal year 2023 to release the Executive Board members from their obligation to buy further shares in the Company in the future as part of the performance bonus equity deferral.

Long-Term Incentive

LTI's contribution in supporting business strategy
Vitesco Technologies has considered the interests of its investors and shareholders to be crucially important, especially since its listing in September 2021. The stock-based design of the LTI as a performance share plan, and the integration of relative TSR in this remuneration component as a market-oriented performance criterion, 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 Group's sustainability score. What's more, the final payout amount depends on the development of the share price for the virtual shares. The following explains how the LTI functions:



* STOXX Europe 600 Automobiles & Parts (SXAGR) index

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 a predefined period of time. For the 2023 LTI, the last two months prior to the start of the term of the LTI tranche were used.

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) in a predefined period of time. For the 2023 LTI, the share prices used are the closing prices 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. The resulting 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. 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 the 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 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 not possible.

The target achievement curve therefore ensures a balanced risk–reward profile, honoring overachievement of the target as well as sanctioning failure to meet the target. Limiting overachievement of the target to +25 percentage points discourages the assumption of inappropriate risk. Stopping the target achievement curve if the target falls below –25 percentage points sets a hurdle that prevents payout if the target is clearly not met.

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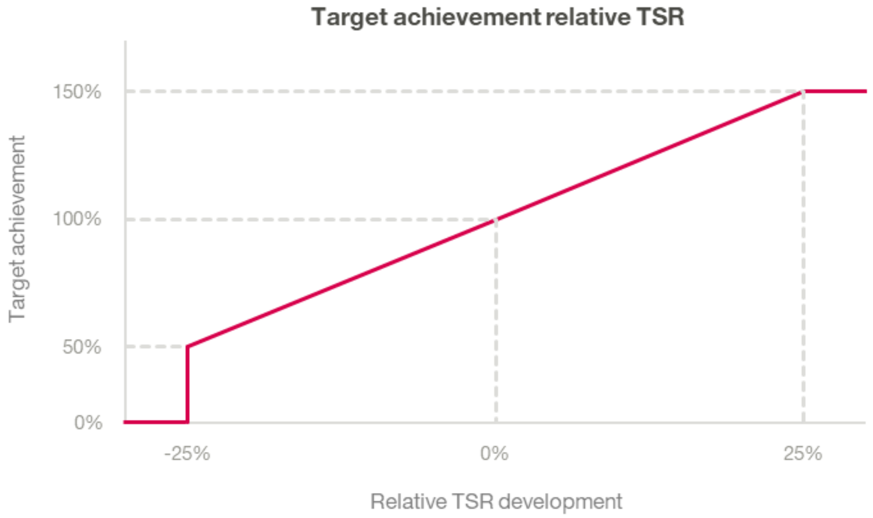

Sustainability Score

Sustainability is an integral part of the Vitesco Technologies corporate strategy and is reflected in the core of the corporate mission "Powering Clean Mobility". With innovative and efficient solutions, Vitesco Technologies aims to reduce the environmental impact of the automotive industry worldwide and promote emission-free mobility in the long term. Beyond its products, Vitesco Technologies actively drives sustainability in all business activities along the value chain.

Vitesco Technologies has adopted a sustainability agenda, which the Supervisory Board has incorporated in the remuneration system. The sustainability agenda defines key topics such as: clean mobility, climate protection, resource efficiency and circularity, fair work and diversity, responsible sourcing and partnerships and occupational health and safety.

The Supervisory Board sets up to six clearly measurable performance targets for the sustainability score of any given LTI tranche based on the topics mentioned above. These targets are set no later than the beginning of each LTI tranche. The final sustainability score depends on the number of performance criteria met by the Executive Board at the end of the performance period. It can be between 0.7 and 1.3.

The sustainability score is calculated as follows:

$$\text{Sustainability score} = 0.7 + (\text{number of targets met} \times [0.6 \div \text{number of targets}])$$

For example, if five performance targets are defined at the start of the fiscal year and only two of them are met at the end of the performance period, the sustainability score will be 0.94 (0.7 + [2 × (0.6 ÷ 5]). If, on the other hand, four out of five performance targets are met, the sustainability score will be 1.18 (0.7 + [4 × (0.6 ÷ 5]).

The following extract from the sustainability scorecard (see the sustainability report 2023) presents the five long-term targets that are defined as the sustainability score performance targets for the 2023 LTI tranche. The targets are derived from the sustainability scorecard and broken down into annual targets. The targets for the year 2026 are relevant for the 2023 LTI tranche. The sustainability score for the 2023 LTI tranche is calculated depending on the target achievement in 2026. The specific targets and the resulting target achievements are reported transparently in the sustainability report and in the remuneration report for the year 2026, provided that, as described in the section "Overview of the remuneration system for Executive Board members", there is no early settlement and payout in the event of a merger of the Company or other termination of the stock exchange listing.

	Key Performance Indicator	Target
Climate Protection	Climate neutrality rate of total own greenhouse gas emissions in %	Reduction of absolute scope 1 and 2 greenhouse gas emissions by 100% by 2030 from a 2019 base year
Resource Efficiency and Circularity	Waste recovery quota in %	Increase and maintain the waste recovery quota, defined as proportion of waste that has been recycled or sent for material recycling, waste-to-energy technologies or other use, to 95% by 2030
Fair Work and Diversity	Share of women in management positions (executives and senior executives; as of Dec. 31) in %	Raise share of women in management positions (executive and senior executive) to 21% by 2026
	Employee Net Promoter Score, eNPS	Increase the Employee Net Promoter Score as an indicator of employee satisfaction to a value of 25 by 2026
Occupational Health and Safety	Accident rate (number of accidents per million hours worked)	Reduce accident rate to 1.4 by 2027

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Application of the long-term incentive in the 2023 fiscal year

Provided that, as described in the section "Overview of the remuneration system for Executive Board members", there is no early settlement and payout in the event of a merger of the Company or other termination of the stock exchange listing, the specific performance targets, total target achievement, and the final number of virtual shares and the resulting payout amount will be reported in the remuneration report for the 2026 fiscal year, after the performance period has ended. The grant values were not increased from the previous year. Prorated values are disclosed for Werner Volz as well as for Sabine Nitzsche and Stephan Rölleke due to their exit and start respectively in the course of the year.

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2023 LTI Tranche Grant

	Target amount in € thousand	Reference share price in €	Number of virtual shares granted
Andreas Wolf	800	54.41	14,703
Werner Volz (until Oct. 31, 2023)	416	54.41	7,654
Sabine Nitzsche (from Oct. 1, 2023)	126	54.41	2,316
Ingo Holstein	500	54.41	9,189
Stephan Rölleke (from Oct. 1, 2023)	60	54.41	1,112
Klaus Hau	500	54.41	9,189
Thomas Stierle	500	54.41	9,189

Stock 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 amount to be invested by each member of the Executive Board as part of the SOG is based on their agreed gross annual base salary. For the Chairman of the Executive Board, the minimum amount is 200% of their 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.

A deviation was made from the share ownership guideline in the fiscal year 2023, as explained in the section "overview of the remuneration system for Executive Board members". In connection with the public tender offer by Schaeffler AG, the Executive Board members were given the possibility to accept the offer and sell the shares held by them. The Executive Board members were also released from their obligation to buy further shares of the Company in the future.

Malus and Clawback Provisions

If an Executive Board member, in their role as a member of the Executive Board, commits a demonstrably deliberate gross infringement of their 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 their other obligations as set out in their 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 fiscal year 2023.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 their service agreement, their 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, can be agreed with each Executive Board member. If a non-compete clause is agreed, 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. If an Executive Board member ceases to hold office, the Supervisory Board may waive compliance with the post-contractual non-compete clause.

Disclosure of individual Executive Board Remuneration

The following tables show the individual target remuneration as well as the remuneration awarded or due in the fiscal year 2023 to members of the Executive Board in accordance with Sec. 162 AktG.

Prorated remuneration is presented for Sabine Nitzsche and Stephan Rölleke for the fiscal year 2023 due to their start in the course of the year.

Target Remuneration

The target remuneration for individual Executive Board members comprises the remuneration that is paid if the level of target achievement is 100%.

Target Remuneration

	Andreas Wolf Chairman of the Executive Board			Sabine Nitzsche Chief Financial Officer (from Oct. 1, 2023)		
	2023		2022	2023		2022
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	800	24	800	113	26	–
Fringe benefits	3	0	3	6	2	–
One-year variable remuneration	1,200	37	720	126	29	–
Performance bonus in 2023 (immediate payment)	1,200	–	–	126	–	–
Performance bonus in 2022 (immediate payment)	–	–	720	–	–	–
Multiple-year variable remuneration	800	25	1,280	126	29	–
Performance bonus in 2023 (deferral)[1]	–	–	–	–	–	–
Performance bonus in 2022 (deferral)[1]	–	–	480	–	–	–
LTI 2023–2026	800	–	–	126	–	–
LTI 2022–2025	–	–	800	–	–	–
Service cost for pension plan	455	14	656	61	14	–
Total remuneration	**3,258**	**100**	**3,460**	**432**	**100**	**–**

1) Shares in Vitesco Technologies Group AG worth 20% of the gross payment amount must be purchased from the net performance bonus payment and then held for a period of three years; the corresponding gross amount was calculated by assuming a lump sum of 50% for taxes and charges. This obligation was suspended for the fiscal year 2023.

	Ingo Holstein Chief Human Resources Officer			Stephan Rölleke Member of the Executive Board – Integrity & Law (from Oct. 1, 2023)		
	2023		2022	2023		2022
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	400	26	400	75	28	–
Fringe benefits	8	0	7	4	2	–
One-year variable remuneration	450	29	270	88	33	–
Performance bonus in 2023 (immediate payment)	450	–	–	88	–	–
Performance bonus in 2022 (immediate payment)	–	–	270	–	–	–
Multiple-year variable remuneration	500	32	680	60	23	–
Performance bonus in 2023 (deferral)[1]	–	–	–	–	–	–
Performance bonus in 2022 (deferral)[1]	–	–	180	–	–	–
LTI 2023–2026	500	–	–	60	–	–
LTI 2022–2025	–	–	500	–	–	–
Service cost for pension plan	198	13	314	39	14	–
Total remuneration	**1,556**	**100**	**1,670**	**267**	**100**	**–**

1) Shares in Vitesco Technologies Group AG worth 20% of the gross payment amount must be purchased from the net performance bonus payment and then held for a period of three years; the corresponding gross amount was calculated by assuming a lump sum of 50% for taxes and charges. This obligation was suspended for the fiscal year 2023.

	Klaus Hau Member of the Executive Board – Powertrain Solutions			Thomas Stierle Member of the Executive Board – Electrification Solutions		
	2023		2022	2023		2022
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	400	26	400	400	25	400
Fringe benefits	8	1	14	14	1	13
One-year variable remuneration	450	29	270	450	29	270
Performance bonus in 2023 (immediate payment)	450	–	–	450	–	–
Performance bonus in 2022 (immediate payment)	–	–	270	–	–	270
Multiple-year variable remuneration	500	32	680	500	32	680
Performance bonus in 2023 (deferral)[1]	–	–	–	–	–	–
Performance bonus in 2022 (deferral)[1]	–	–	180	–	–	180
LTI 2023–2026	500	–	–	500	–	–
LTI 2022–2025	–	–	500	–	–	500
Service cost for pension plan	190	12	296	200	13	343
Total remuneration	**1,548**	**100**	**1,659**	**1,563**	**100**	**1,706**

1) Shares in Vitesco Technologies Group AG worth 20% of the gross payment amount must be purchased from the net performance bonus payment and then held for a period of three years; the corresponding gross amount was calculated by assuming a lump sum of 50% for taxes and charges. This obligation was suspended for the fiscal year 2023.

Remuneration Awarded or Due

The following tables show the remuneration awarded or due to Executive Board members in the fiscal year 2023 in accordance with Sec. 162 AktG and the proportion of this relative to total remuneration. Awarded remuneration is considered remuneration for which the work 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 one-year variable remuneration commitments made in the fiscal year 2023 appears as follows: The remuneration for the performance bonus is disclosed in the 2023 column and therefore for the fiscal year during which the underlying work was performed in full.

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Remuneration Awarded or Due

	Andreas Wolf Chairman of the Executive Board			Sabine Nitzsche Chief Financial Officer (from Oct. 1, 2023)		
	2023		2022	2023		2022
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	800	27	800	113	31	–
Fringe benefits	3	0	3	6	1	–
One-year variable remuneration	1,767	58	1,225	186	51	–
Performance bonus in 2023 (immediate payment)	1,767	–	–	186	–	–
Performance bonus in 2022 (immediate payment)	–	–	1,225	–	–	–
Multiple-year variable remuneration	0	0	817	0	0	–
Performance bonus in 2023 (deferral)[1]	0	–	–	0	–	–
Performance bonus in 2022 (deferral)[1]	–	–	817	–	–	–
Total remuneration awarded or due	**2,570**	**–**	**2,845**	**304**	**–**	**–**
Service cost for pension plan	455	15	656	61	17	–
Total remuneration	**3,025**	**100**	**3,501**	**365**	**100**	**–**

1) Shares in Vitesco Technologies Group AG worth 20% of the gross payment amount must be purchased from the net performance bonus payment and then held for a period of three years; the corresponding gross amount was calculated by assuming a lump sum of 50% for taxes and charges. This obligation was suspended for the fiscal year 2023.

	Ingo Holstein Chief Human Resources Officer			Stephan Rölleke Member of the Executive Board – Integrity & Law (from Oct. 1, 2023)		
	2023		2022	2023		2022
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	400	31	400	75	30	–
Fringe benefits	8	1	7	4	2	–
One-year variable remuneration	663	52	459	130	52	–
Performance bonus in 2023 (immediate payment)	663	–	–	130	–	–
Performance bonus in 2022 (immediate payment)	–	–	459	–	–	–
Multiple-year variable remuneration	0	0	306	0	0	–
Performance bonus in 2023 (deferral)[1]	0	–	–	0	–	–
Performance bonus in 2022 (deferral)[1]	–	–	306	–	–	–
Total remuneration awarded or due	**1,070**	**–**	**1,172**	**209**	**–**	**–**
Service cost for pension plan	198	16	314	39	16	–
Total remuneration	**1,268**	**100**	**1,486**	**248**	**100**	**–**

1) Shares in Vitesco Technologies Group AG worth 20% of the gross payment amount must be purchased from the net performance bonus payment and then held for a period of three years; the corresponding gross amount was calculated by assuming a lump sum of 50% for taxes and charges. This obligation was suspended for the fiscal year 2023.

	Klaus Hau Member of the Executive Board – Powertrain Solutions			Thomas Stierle Member of the Executive Board – Electrification Solutions		
	2023		2022	2023		2022
	€ thousand	%	€ thousand	€ thousand	%	€ thousand
Base salary	400	32	400	400	31	400
Fringe benefits	8	1	14	14	1	13
One-year variable remuneration	663	52	430	663	52	291
Performance bonus in 2023 (immediate payment)	663	–	–	663	–	–
Performance bonus in 2022 (immediate payment)	–	–	430	–	–	291
Multiple-year variable remuneration	0	0	287	0	0	194
Performance bonus in 2023 (deferral)[1]	0	–	–	0	–	–
Performance bonus in 2022 (deferral)[1]	–	–	287	–	–	194
Total remuneration awarded or due	**1,070**	**–**	**1,130**	**1,076**	**–**	**898**
Service cost for pension plan	190	15	296	200	16	343
Total remuneration	**1,261**	**100**	**1,426**	**1,276**	**100**	**1,241**

1) Shares in Vitesco Technologies Group AG worth 20% of the gross payment amount must be purchased from the net performance bonus payment and then held for a period of three years; the corresponding gross amount was calculated by assuming a lump sum of 50% for taxes and charges. This obligation was suspended for the fiscal year 2023.

Remuneration Awarded or Due and Commitments for Executive Board Members who left during the Fiscal Year

Werner Volz stepped down from his position as a member of the Executive Board with effect from October 31, 2023. During the fiscal year 2023, he received a base salary of €375 thousand, fringe benefits of €7 thousand, and a performance bonus of €613 thousand. The total remuneration awarded or due to Werner Volz therefore came to €995 thousand. The service cost of the pension plan for the fiscal year 2023 amounts to €163 thousand. The fixed remuneration components comprise 47% of the total remuneration awarded or due in the fiscal year 2023, while the variable remuneration components make up 53%. Mr. Volz received remuneration of €30 thousand plus value added tax for his activity as a consultant in November 2023.

The Company and Mr. Volz concluded a termination agreement as part of the end of the latter's service. It governs the arrangements for settling still-outstanding remuneration claims and the heritability of these claims. There existed a claim to prorated annual base salary as well as the performance bonus and long-term incentive payment up until the time that his service ended. Additionally, the obligation to buy and hold Company shares in accordance with the share ownership guideline was lifted with effect from the end of his service. Furthermore, the post-contractual non-compete clause stipulated in Mr. Volz's service contract was rescinded. Non-compete compensation was therefore not paid. Mr. Volz has received pension payments of €4 thousand since November 1, 2023.

Outlook for Fiscal Year 2024

As mentioned in the retrospect of fiscal 2023, Schaeffler AG published a voluntary public tender offer for Vitesco Technologies Group AG in late 2023. Vitesco Technologies Group AG and Schaeffler AG concluded a business combination agreement in late 2023, laying out key parameters for the merger and framework for future collaboration between the two companies. The Executive Board will continue to independently conduct business until the time of a planned merger.

As described in the section "Overview of the remuneration system for Executive Board members", an exceptional situation had arisen in late 2023 which drove the Supervisory Board to make modifications to the remuneration system. For this reason, a modified remuneration system will be presented at the Annual General Meeting in 2024. Details about this can be found in the invitation to the 2024 Annual General Meeting.

Supervisory Board remuneration in the 2023 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 ordinary Supervisory Board members is €60 thousand, €90 thousand for a deputy chairperson, and €120 thousand for the Chairperson of the Supervisory Board.

In accordance with the remuneration rules for the Supervisory Board, as set out in the Articles of Association for Vitesco Technologies Group AG, the members of the Audit, Executive, and Technology Committees as well as any other committee formed in accordance with Article 14(1), clause 1, of the Articles of Association, if the Supervisory Board stipulates when forming such a committee that additional renumeration is to be paid for work on the committee, receive committee remuneration based on their memberships 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 €70 thousand for a committee chairperson and to a total of €50 thousand for any other committee member. 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 of €1.5 thousand 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 has taken out directors' and officers' (D&O) liability insurance for each member.

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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
Committee work*	30,000 €	20,000 €

* The committee remuneration for the Chairperson is limited to 70,000 €.
the committee remuneration for other Supervisory Board members is limited to 50,000 €.

Disclosure of individual Supervisory Board Remuneration

The following table shows the remuneration awarded or due to the Supervisory Board members in the fiscal year 2023, broken down by individual remuneration component.

Supervisory Board Remuneration

	2023							2022
	Fixed remuneration		Committee remuneration		Meeting attendance fee		Total remuneration	Total remuneration
	€ thousand	%	€ thousand	%	€ thousand	%	€ thousand	€ thousand
Prof. Siegfried Wolf (Supervisory Board Chairman)	120	55	60	28	38	17	**218**	219
Ralf Schamel[1] (Deputy Supervisory Board Chairman)	90	53	50	29	30	18	**170**	178
Carsten Bruns[1]	60	62	20	21	17	17	**97**	95
Prof. Hans-Jörg Bullinger	60	56	30	28	17	16	**107**	107
Kerstin Dickert[1] (from Mar. 1, 2023)	50	47	33	32	23	21	**106**	–
Manfred Eibeck	60	46	20	16	50	38	**130**	97
Lothar Galli[1] (until Apr. 30, 2023)	20	56	7	19	9	25	**36**	103
Yvonne Hartmetz[1]	60	43	50	36	30	21	**140**	151
Susanne Heckelsberger	60	38	50	31	50	31	**160**	149
Lisa Hinrichsen[1] (from May 1, 2023)	40	43	13	15	39	42	**92**	–
Joachim Hirsch	60	41	40	27	48	32	**148**	135
Prof. Sabina Jeschke	60	62	20	21	17	17	**97**	97
Michael Köppl[1] (until Feb. 28, 2023)	10	51	7	34	3	15	**20**	121
Erwin Löffler[1]	60	58	20	19	24	23	**104**	97
Klaus Rosenfeld	60	62	20	21	17	17	**97**	100
Georg F. W. Schaeffler	60	43	50	36	30	21	**140**	137
Kirsten Vörkel[1]	60	47	40	32	27	21	**127**	123
Anne Zeumer[1]	60	65	0	0	33	35	**93**	71

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. The values disclosed for 2021 are prorated for the period following September 15, 2021, which is why there is a large increase compared to the previous year. The earnings metrics consist of the net income or loss of Vitesco Technologies Group AG and EBIT for the Vitesco Technologies Group. Given the Company's spin-off and IPO during the 2021 fiscal year, the year-on-year comparison will be built up progressively.

Year-over-Year Comparison

	2023	2022	2021	Change 2023/2022	Change 2022/2021
	€ thousand	€ thousand	€ thousand	%	%
Executive Board members					
Andreas Wolf (from Sep. 15, 2021)	2,570	2,845	929	–9.7%	206.4%
Sabine Nitzsche (from Oct. 1, 2023)	304	–	–	–	–
Ingo Holstein (from Sep. 15, 2021)	1,070	1,172	379	–8.7%	209.3%
Stephan Rölleke (from Oct. 1, 2023)	209	–	–	–	–
Klaus Hau (from Oct. 1, 2021)	1,070	1,130	327	–5.3%	245.5%
Thomas Stierle (from Oct. 1, 2021)	1,076	898	327	19.9%	174.5%
***Average*[2]**	**1,447**	**1,471**	**477**	**–1.6%**	**208.2%**
Former Executive Board members					
Werner Volz (Sep. 15, 2021–Oct. 31, 2023)	995	1,309	425	–24.0%	208.3%
Supervisory Board members					
Prof. Siegfried Wolf (Supervisory Board Chairman)	218	219	55	–0.7%	301.8%
Ralf Schamel[1] (Deputy Supervisory Board Chairman)	170	178	41	–4.2%	331.2%
Carsten Bruns[1]	97	95	23	1.6%	313.0%
Prof. Hans-Jörg Bullinger	107	107	23	0.0%	363.0%
Kerstin Dickert[1] (from Mar. 1, 2023)	106	–	–	–	–
Manfred Eibeck	130	97	31	34.2%	209.6%
Lothar Galli[1] (Sep. 15, 2021–Apr. 30, 2023)	36	103	33	–65.2%	213.8%
Yvonne Hartmetz[1]	140	151	33	–7.0%	360.7%
Susanne Heckelsberger	160	149	36	7.0%	313.9%
Lisa Hinrichsen[1] (from May 1, 2023)	92	–	–	–	–
Joachim Hirsch	148	135	23	10.0%	484.8%
Prof. Sabina Jeschke	97	97	23	0.0%	319.6%
Michael Köppl[1] (Sep. 15, 2021–Feb. 28, 2023)	20	121	33	–83.7%	270.4%
Erwin Löffler[1]	104	97	31	7.8%	209.6%
Klaus Rosenfeld	97	100	33	–3.0%	204.6%
Georg F. W. Schaeffler	140	137	38	2.2%	265.3%
Kirsten Vörkel[1]	127	123	31	3.7%	293.0%
Anne Zeumer[1]	93	71	23	31.9%	206.5%
Average	**115**	**123**	**32**	**–6.5%**	**288.4%**
Employees					
Average	**85**	**81**	**23**	**4.3%**	**246.4%**
Change in earnings					
Net income/loss of Vitesco Technologies Group AG per Sec. 275 HGB, € million	30.2	–16.9	–1,050.4	278.7%	98.4%
EBIT of Vitesco Technologies Group (in € million)	172.2	143.3	39.5	20.2%	262.8%

1) Employee representative.
2) The average disclosed is based on the Executive Board members who held their position for the full fiscal year.

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.

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.

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

Currency swap. A currency swap sees amounts in two currencies being swapped for a set period of time. Normally, a currency swap consists of a spot transaction (e.g., sale of currency now) and a forward exchange transaction (e.g., purchase of currency later).

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 topics. 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 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 expenses (net). Research and development expenses (net) are defined as expenditure on research and development less reimbursements and subsidies that the Vitesco Technologies Group 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 a 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 during the fiscal year and for disposals in the year-over-year comparison period.

Net liquidity. 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 accounts receivable, 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 ratio. 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.

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

Working capital. Inventories plus trade accounts receivable less trade accounts payable. Sales of 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

The Vitesco Technologies Group (hereinafter 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 drive technology developments in the future. The Company has production and development sites in all growing markets (China, Europe, and North America). In the 2023 fiscal year, the Group achieved sales of €9.2 billion and had 35,528 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

The Vitesco Technologies Group concentrates on the development and production of components and system solutions for the power train 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, turbocharger, hydraulic components, and pumps as well as exhaust-gas solutions.

Since January 1, 2023, the business operations of the Vitesco Technologies Group have been run in two Divisions: the Powertrain Solutions Division and the Electrification Solutions Division.

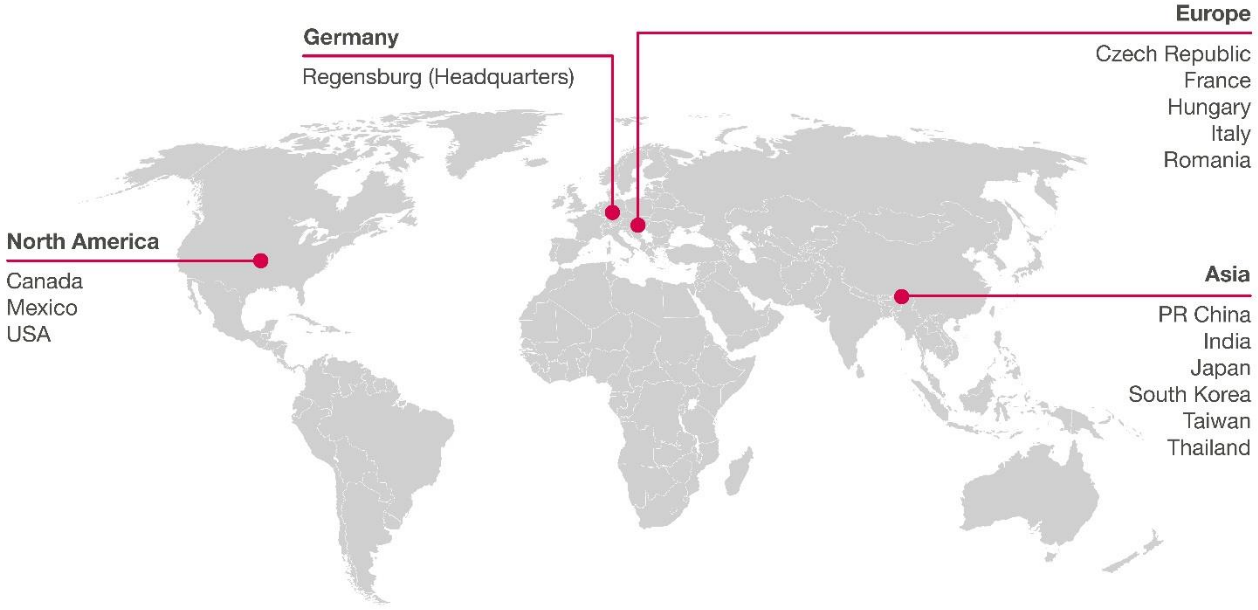
Executive Board

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

>Andreas Wolf, Chief Executive Officer
>Sabine Nitzsche, Chief Financial Officer
>Ingo Holstein, Chief Human Resources Officer
>Stephan Rölleke, Member of the Executive Board for Integrity and Legal
>Klaus Hau, Executive Board member
>Thomas Stierle, Executive Board member

Sites

The Vitesco Technologies Group is represented at approximately 46 locations worldwide. The following is an overview of the key regions and countries:



Customer structure

The Vitesco Technologies Group 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 the Vitesco Technologies Group 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.

The Vitesco Technologies Group has achieved strong market penetration among major OEMs in Asia, Europe, and North America. In addition, the Vitesco Technologies Group has a broad customer base in key emerging markets such as Mexico and India.

In the 2023 fiscal year, 19.5% 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 26.0% 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 this fiscal year, with the top three customers being Cummins, the General Motors Company, and Stellantis.

With 29.5% of sales, Asia is the Company's second-largest sales market and has the General Motors Company, Hyundai Motor Group, and Volkswagen Group as its three most important customers. The remaining 1.5% of total sales are spread across other countries.

The above illustration lists customers in alphabetical order.

Overview of Group structure

Vitesco Technologies Group Sales: €9,233.2 million; employees: 35,528	
Powertrain Solutions	**Electrification Solutions**
Sales: €6,118.8 million Employees: 20,391	Sales: €3,162.3 million Employees: 15,071
> Actuation > Aftermarket & Non-Automotive > Hydraulics & Turbocharger > Sensorics & Controls	> Controls > Electric Drive Systems

Powertrain Solutions

The Powertrain Solutions Division develops high-performing, safe, and cost-effective solutions for the vehicle power train. Its product portfolio includes intelligent solutions for the precise measurement and management of all drive systems in cars, commercial vehicles, and two-wheel vehicles. The electric vehicle development activities are currently concentrated on components for electric motors, batteries, and fuel cells. The Division comprises four business units:

>Actuation
>Aftermarket & Non-Automotive
>Hydraulics & Turbocharger
>Sensorics & Controls

Electrification Solutions

The Electrification Solutions Division offers a wide product portfolio revolving around electric drive systems, power electronics, electronic controls, and thermal management for electric vehicles of all kinds. Featuring modular and scalable solutions, Vitesco Technologies supports global automotive manufacturers with an ultramodern range of developments, tests, services and production in the rapidly accelerating electrification market. The system solutions and components are designed to make mobility cleaner, more efficient, and more affordable. The Division comprises two business units:

>Controls
>Electric Drive Systems

GROUP STRATEGY

VITESCO TECHNOLOGIES DIRECTION 2030

To pursue a clear direction and contribute to cleaner mobility, Vitesco Technologies has created DIRECTION 2030, a strategic framework that provides orientation for the organization on its journey to the year 2030. Based on the projects successfully completed in the past, the topics for the fiscal year 2023 have been reviewed and refined.

The Company, its employees, and other Vitesco Technologies stakeholder groups can orient and align themselves with this initiative. 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. It is powered by Vitesco Technologies' development of intelligent and reliable solutions that put the emotion in motion. The intention behind it is to enable electric transportation everywhere, for any market, any architecture, and any person.

Our mission of “Powering Clean Mobility” is part of 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 and review the practical implementation of this ambitious vision by 2030, 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 powertrains will be electric in the future. Vitesco Technologies has the goal of being a leading supplier of battery-electric vehicle drive systems. Accordingly, it aims to generate most of its sales from electrification by 2030.

"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, are essential for meeting or even exceeding the requirements of our customers. They are also a foundation for gaining new business contracts.

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.

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 set an objective of net zero greenhouse gas emissions from in-house production operations by no later than 2030. 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." Planning provides for progressively increasing profitability thanks to a focus on core activities. This profitability will simultaneously allow the Group to finance its future growth.

BUSINESS MANAGEMENT

AN AIM OF GROWING SUSTAINABLY WHILE INCREASING THE GROUP'S VALUE

The Company's internal business-management system consists of its annual operational planning, which is developed based on the overall strategic parameters defined by the Executive Board; its monitoring and management of key financial figures throughout the fiscal year, regular meetings of its Executive Board and managers, 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 assets, finances, and earnings. When the Executive Board and managers meet, they discuss business development, including the achievement of targets, and the forecast for the year as a whole. If necessary, they also discuss any actions that must be taken.

The internal business-management system at Vitesco Technologies supports implementation of the Group's strategy of sustainable growth while increasing the value of the business. Value-oriented business-portfolio management is an integral element 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 used to raise working capital.

The performance indicators used are EBIT, capital employed, and the weighted average cost of capital (WACC). 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 accounts receivable and inventories less operational trade accounts payable. 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 (in %)	**2023**	2022
Powertrain Solutions	20.2	19.7
Electrification Solutions	–8.5	–13.8
Vitesco Technologies Group	**6.0**	**5.2**

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 important financial performance indicators 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-over-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 topics. 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.

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. Where possible and sensible within the constraints of the legal and tax environment, financial risk (currencies, interest rates) is managed Group-wide based on net positions through our central treasury management.

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

ELECTRIC MOBILITY IS THE PRESENT

Most of the vehicles produced around the world will feature a fully or partially electric power train by 2030. The market environment is exhibiting a broad spectrum of system products and components through to assembly and in-house production by vehicle makers. Meeting the wide variety of customer requirements calls for sustainability, scalability, and extreme efficiency in both production and development. At Vitesco Technologies, research and development are the drivers of constant improvement in products and manufacturing processes.

Solutions for electric drive systems

Compared to its predecessor, the fourth-generation integrated final drive exhibits up to 5% more final-drive efficiency, much greater scalability with power between 80 and 230 kW, and significant cost advantages, partly owing to a weight reduction of up to 25%. All variants of the new platform can be manufactured on the same production line thanks to the high level of standardization and modularization. The EMR4 platform technology offering has been expanded to include an environmentally friendly motor variant. No magnets made of rare earths are used for it at all.

Inverters are at the heart of the energy-efficient regulation of any electrified drive system owing to their combination of innovative electronics and modular software. The technological platform underlying the inverters supports 400- and 800-volt systems and allows for power to be scaled from 80 to 400 kW. For power electronics, Vitesco Technologies uses the latest semiconductor technology: Wide-bandgap semiconductors (WBGSs) made from silicon carbide (SiC) are more efficient, more compact, and, when looking at the overall system, more economical than classic silicon-based transistors. The high-voltage inverter platform is continuously being developed further, with the fourth generation about to go into series production. The inverters are available for customer-specific integration into final drive and as standalone modules.

The recently developed power module is the centerpiece of the inverter and consists of three integrally molded half-bridges. For it, Vitesco Technologies adapts and uses the transfer molding technology used in the company for compact transmission control units since 2020. The power module was developed as a standalone product and presented for the first time at the CTI Symposium in December 2023. SiC semiconductors from various manufacturers are available for it.

Controls for vehicle and energy management

The simultaneous changes that are underway for the creation of the software-defined vehicle (SDV) and a centralized control architecture with fewer – and more powerful – units make it possible to reduce complexity by concentrating and integrating functions in defined sections and to unlock new possibilities. Vitesco Technologies supports this transformation with three core products: a central master controller (MCU, optionally equipped with microprocessors), one or more local zone controllers (ZCUs) interfacing between the MCU and sensors/actuators, and an intelligent power distribution unit (PDU) in the 12-volt power supply system.

In relation to battery management systems (BMS), consisting of a central control unit including software, cell monitoring units, and precise current sensors, Vitesco Technologies focuses on the improvement of high-voltage battery system efficiency. The latest market requirements, such as the North American Charging Standard (NACS), high measurement precision, and flexibility in chip selection, are reflected in the product platforms. Furthermore, solutions are developed in line with the SDV trend, with aims including a flexible allocation of BMS functions.

High-voltage boxes integrate the functionality of an onboard charger (OBC) and DC/DC converter in a single unit. To this end, Vitesco Technologies has developed a modular concept that can be used for different voltage and power classes. Moreover, functions such as power distribution to the drive system as well as other high-voltage consumers can be integrated into it. The second generation will also enable bidirectional charging and higher power density through the usage of wide bandgap technologies. A significant milestone has been reached in this field with the beginning of a strategic partnership between Vitesco Technologies and the Renault Group, which aims to jointly develop and produce high-voltage electronics boxes (“One Box”) for electric and hybrid vehicles. The usage of GaN switches is being studied as part of other innovation and cooperation initiatives with an aim of achieving further improvements in energy efficiency and power density as well as lower volume and weight through them.

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. The intelligent control over thermal flows helps to increase the electric range and the comfort when driving. In addition, the charging time can be shortened, particularly when rapid-charging. The Vitesco Technologies product portfolio has been expanded to include so-called thermal management modules. These are highly integrated solutions that facilitate a reduction of system complexity in modern battery-electric vehicles.

Two-wheel electrification

Solutions for the electrification of two-wheel vehicles are being developed based on the Vitesco Technologies portfolio of technologies. The focus is on an inverter with an integrated electronic control containing drive functions, from driver requests to electric motor regulation. Vitesco Technologies has built a demonstration vehicle with a 48-volt electric motor and presented it at the EICMA 2023 motorcycle show in Milan.

Hydrogen

In addition to battery-operated electric vehicles, hydrogen drive systems represent an alternative for clean mobility in the future. The market is currently forecast to grow, especially for commercial vehicles, and either a fuel cell or hydrogen combustion engine can be used for these purposes. Sensors, actuators, and controls are being developed for both drive types to ensure safe and clean operation, increase efficiency, and extend vehicle life.

Body

New products independent of vehicle drive systems are also being developed alongside innovations for clean mobility. Examples include new technologies for keyless, electric vehicle access systems and autonomous driving solutions. For the latter, a sensor cleaning system is being developed in cooperation with the CEBI Group. This highly integrated, all-in-one solution can keep more than ten environment sensors (cameras, lidar) clean with a water pressure of up to 7 bar, supporting the secure execution of the autonomous driving function free of dirt and adverse weather impacts.

The research and development costs (net) associated with these developments were spread out as follows in the 2023 fiscal year:

	2023		2022	
Research and development costs (net)	€ million	% of sales	€ million	% of sales
Powertrain Solutions	401.9	6.6	316.9	5.0
Electrification Solutions	277.7	8.8	343.5	12.4
Vitesco Technologies Group	**679.6**	7.4	**660.4**	7.3
Capitalization of research and development costs	**162.7**		**75.7**	
As % of research and development costs	23.9%		11.5%	
Amortization of capitalized research and development costs	**28.6**		**33.3**	

SUSTAINABILITY AND CONSOLIDATED NON-FINANCIAL STATEMENT

This chapter presents Vitesco Technologies' consolidated Non-Financial Statement for the fiscal 2023 in accordance with Sections 315b and 315c of the German Commercial Code (HGB) in conjunction with Sections 289b to 289e of the German Commercial Code and in accordance with Regulation (EU) 2020/852 of the European Parliament and Council of June 18, 2020, on the establishment of a framework to facilitate sustainable investment (EU Taxonomy Regulation). This statement is audited by the Supervisory Board and on its behalf by KPMG AG Wirtschaftsprüfungsgesellschaft with reasonable assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000. The independent auditor's report on the assurance of the Consolidated Financial Statements and the Combined Management Report applies. In deviation from this, the chapter Disclosures in Accordance with the EU Taxonomy Regulation contained in the Non-Financial Statement is audited with limited assurance. The independent auditor's report on the assurance of this section can be found in the final section of this combined Non-Financial Statement.

NOTES ON THE REPORTING

In accordance with sections 315b and 315c of the German Commercial Code in conjunction with sections 289b to 289e of the German Commercial Code, the Non-Financial Statement contains disclosures on environmental, employee-related, and social concerns, as well as on the topics of respect for human rights and combating corruption and bribery, to the extent that these are necessary for an understanding of the company's business performance, results, and situation, as well as the company's impact on the aforementioned aspects. The EU Taxonomy Regulation and related delegated acts of the EU Commission serve as a framework for specific disclosures on the share of environmentally sustainable business activities in Vitesco Technologies' total turnover, capital expenditure, and operating expenditure.

An internal analysis also considered, beyond Vitesco Technologies' business model (see chapter Group Strategy), the company's voluntary commitments to sustainability-related internal and external rules as well as guidelines and frameworks, legal obligations, and requirements of relevant stakeholders – e.g., customers and business partners, investors, employees, and civil society. Based on this analysis, the following topics were identified as material for the purposes of this report in addition to the disclosures required by the EU Taxonomy Regulation:

Material Topics for Sustainability Reporting	Correspondence to section 289c HGB
Clean Mobility	Environmental concerns
Climate Protection	Environmental concerns
Resource Efficiency and Circularity	Environmental concerns
Fair Work and Diversity	Employee concerns, respect for human rights
Responsible Sourcing and Partnerships	Environmental concerns, social concerns, respect for human rights
Occupational Health and Safety	Employee concerns, respect for human rights
Business Ethics and Compliance	Combating corruption and bribery

The concepts, due diligence processes, results and key performance indicators relating to these topics are presented below. Risk reporting is provided in the chapter Risk and Opportunity Report. No other risks of material importance for management reporting within the meaning of section 289c of the German Commercial Code were identified.

Possible direct or indirect impacts of the company on its stakeholders and the business environment from a sustainability point of view are additionally presented in Vitesco Technologies' separate sustainability report. The concepts described in the consolidated Non-Financial Statement and in the separate Sustainability Report include risk management approaches, processes, and countermeasures that have been established in consideration of these impacts as well as the aspects described in the Risk and Opportunity Report.

Vitesco Technologies' separate Sustainability Report has a modular structure and combines the information from the consolidated Non-Financial Statement, Management Report, Consolidated Financial Statements, and other sources, as well as supplementary information with reference to the standards of the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD). It is available online at ir.vitesco-technologies.com in the Sustainability section.

SUSTAINABILITY MANAGEMENT

STRATEGIC ANCHORING

Sustainability is an integral part of the Vitesco Technologies' business model and at the heart of its mission: "Powering Clean Mobility." By deploying 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 an electrified future while at the same time striving for profitable growth and operational strength.

Beyond its products, Vitesco Technologies pursues the goal of driving sustainability in all its business activities across the value chain. The DIRECTION 2030 strategy described in the chapter Group Strategy formulates this in the claim "Driver of Sustainability," thereby establishing sustainability as one of five strategic focus areas. A Sustainability Agenda adopted at Executive Board level, with clearly defined targets and key performance indicators, provides the framework for the strategic development, management, and implementation of the topics identified as material in this focus area.

The company also takes account of the strategic importance of sustainability by integrating selected performance indicators from the Sustainability Agenda into the long-term incentive plans for its Executive Board members and senior executives. More information on this can be found in the chapter Remuneration Report and in the separate Sustainability Report (see ir.vitesco-technologies.com, Sustainability section).

SUSTAINABILITY ORGANIZATION

The Sustainability & Security department bundles all key sustainability topics (occupational health and safety, operational environmental protection, human rights due diligence, climate protection and decarbonization) and coordinates the requisite cross -functional strategy development and implementation. Its responsibilities also include organizing the activities of the Sustainability Steering Committee and the Sustainability Core Team of Vitesco Technologies, as well as the company's Sustainability and Non-Financial Reporting.

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

At the operational level, the Sustainability Core Team, comprised of sustainability experts from various Group functions (e.g., Technology & Innovation, Sales, Purchasing & Supplier Quality Management, Engineering, and Operations), is responsible for implementing the Sustainability Agenda along the value chain. In addition to the Global Sustainability Core Team and the country-level Sustainability Core Team established in China in 2022 to implement specific national requirements, in 2023 Vitesco Technologies set up another country-level Sustainability Core Team for the US and Canada region.

Beyond this, sustainability activities and accompanying measures are planned and implemented in the thematically responsible specialist departments, as part of the business units’ product development activities, and decentrally by country coordinators or directly at the individual Vitesco Technologies sites.

SUSTAINABILITY AGENDA – MATERIAL TOPICS

Vitesco Technologies' Sustainability Agenda provides the framework for managing business activities with a view to social and environmental issues and responsible corporate governance. It is codified in the company's Sustainability Policy.

In fiscal 2023, an extensive materiality assessment was carried out in preparation for the European Corporate Sustainability Reporting Directive (CSRD), based on the final European Sustainability Reporting Standards (ESRS) published in July 2023. In line with the results of the analysis, the Sustainability Agenda was further developed in consultation with the Sustainability Steering Committee. The six material topics of the existing framework were reaffirmed and complemented with the addition of the topic Business Ethics and Compliance.

In addition to legal requirements and the demands of customers, business partners, the capital market, employees, and the public, the Sustainability Agenda also reflects Vitesco Technologies' commitment to respecting external frameworks. In particular, these include the UN Sustainable Development Goals, the principles of the UN Global Compact signed by Vitesco Technologies, the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the UN Convention against Corruption. In addition, the core conventions of the International Labor Organization (ILO Declaration on Fundamental Principles and Rights at Work), the OECD Guidelines for Multinational Enterprises, the Paris Agreement on Climate Change, and other topic-specific guidelines and standards are considered.

Vitesco Technologies' own corporate guidelines relating to the material sustainability topics are the Code of Conduct for employees and Business Partner Code of Conduct, the Human Rights Policy, the Environment, Safety and Health Policy, and the Energy Management Policy. Vitesco Technologies is also required to comply with the Code of Conduct of the Responsible Business Alliance (RBA), an industry initiative of which it has been a member since 2021.

The Vitesco Technologies' Sustainability Agenda ties in with the topics and objectives of these guidelines and directives, and is being successively expanded and further developed in line with the strategic claim of being a "Driver of Sustainability." The focus here is on the following seven topics of particular strategic relevance to the company's transformation process:

>Clean Mobility
>Climate Protection
>Resource Efficiency and Circularity
>Fair Work and Diversity
>Responsible Sourcing and Partnerships
>Occupational Health and Safety
>Business Ethics and Compliance

These material topics all are highly relevant for customers and investors, have a strong presence in the public debate, and are accordingly subject to a dense and fast-changing regulatory environment. The ambitions associated with the material topics as well as specific quantitative targets and key indicators[1] are reported on in the following sections.

[1] This Non-Financial Statement uses rounded figures. For this reason, rounding differences may occur in some cases when the values rounded within tables are added up.

CLEAN MOBILITY

Objective

The motto “Powering Clean Mobility” sums up Vitesco Technologies’ mission. Accordingly, promoting cleaner and climate-neutral mobility is the stated goal and an integral part of the business strategy. Linked to this is the ambition to play a leading role in the market as an automotive supplier in the transformation of powertrain technologies towards electrification and emission-free mobility.

Concept

Fundamental to the topic of Clean Mobility is the Executive Board’s strategic decision to phase out technologies that, in line with the objectives described above, are not part of the core business and have no long-term strategic prospects. For one, the phase-out of contract manufacturing is to be completed by 2026. Secondly, more than 50% of the combustion engine technologies in the portfolio that are not part of the core business are to be phased out by then. This is accompanied by a decision to focus increasingly on the electrification business across all business units. Recent changes in the automotive industry and relevant regulations confirm the path taken by Vitesco Technologies.

In the transformation process, Vitesco Technologies is focusing on products and technologies for the electric powertrain as well as on electrification solutions for hybrid vehicles. While electric drive implies zero emissions during operation, improving engine efficiency, enabling fuel savings, and reducing emissions of pollutants and greenhouse gases are focus topics in the electrification of hybrids.

For further information on the transformation process and business model, please refer to the chapter Group Strategy, the chapter Research and Development, and the Risk and Opportunity Report also included in this Annual Report.

Results

The first key performance indicator (KPI) for Clean Mobility is the revenue from electric and electrified solutions generated by Vitesco Technologies. This revenue is comprised of two factors in line with the company’s portfolio orientation as described above. First, from the business with purely electric products, components, and solutions; these are required for the operation of electric drive systems. Second, from the revenue with products, components, and solutions for electrification in hybrid drive systems; these are key components for the construction of hybrid drives. Revenues generated with electric and electrified solutions amounted to €1,313.4 million in the 2023 financial year, a year-on-year increase of €231.4 million (previous year: €1,082.0 million). This corresponds to a 14.2% share of Group revenues (previous year: 11.9%). The consistent strategic focus on generating revenues in the area of electrification has led to this increase.

The second KPI for the topic of Clean Mobility is Vitesco Technologies’ share of electrification investments per total investments. This KPI measures the volume of investments made both in connection with the future production of purely electric products, and with components and solutions for the electrification of hybrid drive systems. The methodical calculation is based on the CapEx definition as defined in the EU Taxonomy Regulation.

In the 2023 fiscal year, these investments amounted to €188.8 million (previous year: €102.7 million), which corresponds to 27.0% of Group investments (previous year: 18.1%). The share was thus increased by 8.9 percentage points compared to the previous year. This was due to the systematic implementation of Vitesco Technologies' long-term strategy of reducing investments in combustion engines and focusing on the electrification business. In the Electrification Solutions Division, there was a significant increase in required investments in the business areas of electric drive systems and electronic control systems for battery-powered electric vehicles and plug-in hybrid electric vehicles. For example, investments in high-voltage electronics and high-voltage electric drives as well as charging and energy control systems were twice as high as in the previous year.

Key Performance Indicators for Clean Mobility	2023	2022
Revenue from electric and electrified solutions in € million	1,313.4	1,082.0
Share of business with electric and electrified solutions in Group revenues in %	14.2	11.9
Electrification investments in € million	188.8	102.7
Electrification investments per total investments in %	27.0	18.1

Further information on the topic of Clean Mobility and the relevant KPIs can be found below in the Disclosures in Accordance with the EU Taxonomy Regulation section, as well as bundled in the separate Sustainability Report (see ir.vitesco-technologies.com, Sustainability section).

CLIMATE PROTECTION

Objective

In accordance with the Paris Agreement on Climate Change, Vitesco Technologies has committed to working towards limiting global warming to 1.5°C and taking action to avoid, reduce and, where necessary, offset greenhouse gas emissions. The climate protection target was further developed in the fiscal year 2023: The goal is net climate neutrality of the own operational activities, as well as net-zero greenhouse gas emissions along the entire value chain.

The following stages were defined for achieving the objective:

- >Since 2020: Zero greenhouse gas emissions (in relation to Scope 2) from external electricity purchases at the relevant production sites and research and development sites by switching completely to renewable energy, including through special power purchase agreements (PPAs), the purchase of energy attribute certificates (EACs) and self-generated renewable energy.
- >By 2030: 100% reduction in absolute greenhouse gas emissions from own operational activities (Scope 1 and 2) compared to the base year 2019 (target validated by the Science Based Targets initiative).[2]
- >By 2030: 25% reduction in absolute Scope 3 greenhouse gas emissions compared to the base year 2021 (target validated by the Science Based Targets initiative).[3]
- >By 2040: Net-zero greenhouse gas emissions across the entire value chain (Scope 1 to 3) compared to the base year 2021.

[2] The target has been validated by the Science Based Targets initiative (SBTi) as a short-term reduction target compatible with the 1.5 °C target according to the SBTi Criteria and Recommendations Version 5.0 (October 2021).
[3] The target has been validated by the Science Based Targets initiative (SBTi) as a short-term Scope 3 reduction target according to the SBTi Criteria and Recommendations Version 5.0 (October 2021).

Targets for the reduction or climate-neutralization of GHG emissions from the company's own operating activities (Scope 1 and 2) are also part of the long-term incentive plans for managers and are therefore strategically integrated into the remuneration system at Vitesco Technologies.

The company is also striving to improve the carbon footprint of its products during their life cycle. To this end, by 2030 all new products and part numbers are to be developed with 100% life-cycle orientation, based on certified life cycle assessments (LCAs). An important element here is the automation of the analyses. For example, the recording and evaluation of data from internal processes and processes in the supply chain is to be automated in the future.

The originally formulated target of completing automation by 2024/2025 cannot be maintained: Such an automation of data collection, validation, and transfer, as well as a methodically consistent calculation of the product carbon footprint (PCF) currently pose challenges for the automotive industry due to remaining data gaps and a lack of standardization, among other things. To address these challenges, Vitesco Technologies has been a member of the Catena-X initiative since 2022, which aims to build the first open and collaborative data ecosystem across the entire automotive value chain.

Concept

The development of Vitesco Technologies' climate protection concept is the responsibility of the Sustainability Steering Committee and the Sustainability Core Team described in the Sustainability Management section, as well as of the specialist departments represented on both committees. The above-mentioned objectives were approved by the Executive Board. The Group functions Technology & Innovation, Operations (including Facility Management and Logistics), Purchasing & Supplier Quality Management, and the Sustainability & Security department are of particularly importance in ensuring their operational implementation.

Climate neutrality is to be achieved in the company's own activities and in the value chain primarily by eliminating, reducing, and substituting processes, activities, and materials, that is, for example, by using renewable energy from external sources (e.g., via EACs or PPAs) and our own sources (e.g., photovoltaic systems), as well as through efficiency improvements, electrification, and the development of new technologies.

The review of product-related environmental impacts as part of LCAs is carried out systematically in line with the external standards ISO 14040, 14044 and 14067. The automation of data procurement and evaluation plays a key role here. The company is also focusing on creating awareness for the topic among its employees, building skills, and establishing processes and tools. Another key factor lies in enabling suppliers to provide life cycle and carbon footprint-relevant product data.

Fiscal 2023 marked the second time that Vitesco Technologies answered the CDP (formerly the Carbon Disclosure Project) questionnaires on climate change and water security as an independent company. CDP is an international non-profit that uses special questionnaires to encourage companies and governments to publish their environmental data, and then rates them on a scale from A (top grade) to D-. Vitesco Technologies received a B rating in the climate change category and thus achieved the "Management" status in this area (previous year: climate change: B-). In the water safety category, the company received a B rating for its commitment and consequently also achieved "Management" status (previous year: water safety: C).

The climate scenario analysis carried out in fiscal 2022 to Identify significant climate-related opportunities and risks in the company's own business activities based on the requirements of the Task Force on Climate-related Financial Disclosures was expanded in fiscal 2023 to include an analysis of climate-related opportunities and risks in the supply chain. Furthermore, the financial impact of the material climate-related risks and opportunities was qualitatively assessed.

Results

The essential KPI for the implementation of Vitesco Technologies' Climate Protection concept are the company's own GHG emissions according to Scope 1 and 2 of the Greenhouse Gas Protocol Initiative (GHG Protocol Initiative). These include direct GHG emissions from fossil fuels (Scope 1) and indirect GHG emissions from the purchase of electricity, steam, and heat (Scope 2, according to the market-based calculation method).

Vitesco Technologies' total own GHG emissions (Scope 1 and 2) amounted to 0.019 million tons of CO_2e (market-based) in fiscal 2023. This is 0.008 million t CO_2e less than in the previous year (previous year: 0.027 million t CO_2e). The reasons for this are successfully implemented energy efficiency projects and measures to electrify fossil fuels. The decommissioning of combined heat and power plants also contributed to the reduction. In addition to these effects, the reduction in total own GHG emissions is also due to the sale of the Lohmar and Eisenach sites (both Germany) and parts of the Pune site (India) in mid-2023.

Vitesco Technologies is a member of the RE100 initiative, a global alliance of companies that have pledged to source 100% of their electricity from renewable energy sources by 2050. This target has already been achieved at the relevant production sites and research and development sites. Consumption arising from the business activities in South Korea was covered by iRECs from China. This deviation from the market limits of the GHG Protocol Corporate Standard and RE100 was necessary as the availability of certificates of origin on the market is limited and contractual conditions need to be created. In fiscal 2023, no market-based GHG emissions were generated at these sites due to their external procurement of electricity.

Direct GHG emissions were lowered by reducing in-house generation of electricity from fossil fuels, through electrification, and through the voluntary purchase of biomethane. The biomethane was procured from the UK. No mass balancing was performed. Meanwhile, other measures served to increase energy efficiency (see section Resource Efficiency and Circularity). All of this contributed to Vitesco Technologies' own operating activities already being 94.2% climate-neutral in fiscal year 2023 according to the company's own calculation method. This represents a year-on-year improvement of 2.3 percentage points (previous year: 91.9%).

In the area of life cycle-optimized product development, the focus in fiscal 2023 was on upskilling and training, automation, and the finalization and rollout of all processes and standards for the systematic implementation of life cycle engineering (LCE): for example, an LCE and LCA competence center was established with 21 employees. In addition, the automation of data procurement and evaluation was driven forward through active participation in a working group of the Catena-X initiative. An internal LCE and LCA standard and in-house guidelines for modelling LCAs in a common software were also established to promote standardization and comparability.

Key Performance Indicators for Climate Protection	2023	2022
Direct GHG emissions (Scope 1) in million t CO_2e[1,2,4]	0.016	0.023
Indirect GHG emissions (Scope 2 location-based) in million t CO_2e [1,2,3]	0.286	0.292
Indirect GHG emissions (Scope 2 market-based) in million t CO_2e[1,2,3]	0.004	0.004
Total own GHG emissions (Scope 1 and 2 location-based) in million t CO_2e[1,2,3,4]	0.301	0.316
Total own GHG emissions (Scope 1 and 2 market-based) in million t CO_2e[1,2,3,4]	0.019	0.027
Share of external electricity procurement from renewable energies in %[1,2,3]	100.0	100.0
Climate neutrality rate of total own GHG emissions in %[1,2,3,4,5]	94.2	91.9

1) Definitions according to GHG Protocol Corporate Standard and GHG Protocol Scope 2 Guidance.
2) Coverage of the relevant production sites and research and development sites.
3) Calculated according to the market-based method of the GHG Protocol Initiative. Where no contract-specific emission factors were available, the standard emission factors from Defra (09/2021), Defra (09/2022), IEA (12/2022), and the GHG Protocol Initiative were used.
4) Includes the purchase of biomethane.
5) Calculation formula: Own GHG emissions (Scope 1 and 2 market-based) [current year] / Own GHG emissions (Scope 1 and 2 market-based) [base year 2019 (fixed value)]

Detailed information on Vitesco Technologies' Scope 3 emissions as well as further information and indicators relating to Climate Protection can be found in the separate Sustainability Report (see ir.vitesco-technologies.com, Sustainability section).

RESOURCE EFFICIENCY AND CIRCULARITY

Objective

Vitesco Technologies relies on globally established management systems to ensure an efficient use of natural resources, and to reduce or avoid waste and environmental pollution such as emissions to soil, air, and water. In addition to savings in the consumption of water, raw materials, and operating resources, the company particularly strives to reduce its energy demand. This is closely linked to Vitesco Technologies' climate protection targets (see section Climate Protection). Another important focus is on increasing the waste recovery quota.

The company has set itself the following medium-term goals in the area of 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 95% by 2030.
>Increase the waste recovery quota, defined as the proportion of waste that has been recycled or sent for material recycling, waste-to-energy technologies or other use, to 95% by 2030.

The goal to increase the waste recovery quota is part of Vitesco Technologies' long-term incentive plans for executives and is therefore strategically integrated.

Concept

The corporate policies for Environment, Safety and Health (ESH) and Energy Management provide the framework for resource efficiency measures, waste management, and operational environmental protection. Local management systems drive the implementation of the principles formulated in these policies. Corresponding organizational and technical specifications are included in the respective ESH management manuals.

The Environmental Protection department within the Human Relations & Sustainability corporate function is responsible for strategic, Group-wide environmental management, including monitoring and reporting on environmental KPIs and other indicators. It is complemented by ESH functions in the individual countries. Operational environmental protection on site is the responsibility of the site managers and is coordinated by local ESH managers and supported by energy managers.

In the transformation to circularity, Purchasing and the Technology & Innovation corporate function play an important role, in cooperation with the divisions' product development departments. Based on the findings from life cycle analysis and optimization (see section Climate Protection), they are successively integrating approaches for circular product design. Further initiatives and projects in this area are taking place at various levels within the company.

Results

In fiscal 2023, the majority of Vitesco Technologies' employees were covered by certified management systems for environmental and energy management. The degree of coverage by certifications for environmental management systems according to ISO 14001 was 93.1% as at December 31, 2023. This figure was down by 0.4 percentage points year-on-year (previous year: 93.5%), because although one new production site was certified in fiscal 2023, Vitesco Technologies Emitec GmbH was spun off at the same time, resulting in the loss of two large certified production sites.

As of December 31, 2023, 91.8% of employees were certified for energy management systems according to ISO 50001. This represents a year-on-year increase of 6.1 percentage points (previous year: 85.7%), which is attributable to the certification of two additional large production sites.

The waste recovery quota, the third KPI for Resource Efficiency and Circularity, was 95.2% in fiscal 2023. This is an improvement of 0.6 percentage points on the previous year's figure (previous year: 94.6%). Vitesco Technologies achieved this progress through centrally managed campaigns, including the global Waste Avoidance Initiative, as well as through local campaigns, such as the recycling program in Deer Park in the US, which raised employee awareness of the issues of resource conservation and waste avoidance and motivated them to get involved. In addition to internal activities, a dialog with waste disposal companies took place at several locations to enable higher waste recovery quotas, e.g., in Timisoara (Romania) and Changchun (China).

Key Performance Indicators for Resource Efficiency and Circularity	**2023**	2022
Certifications for environmental management systems (ISO 14001), employee coverage (as of December 31) in %	93.1	93.5
Certifications for energy management systems (ISO 50001), employee coverage (as of Dec.ember. 31) in %	91.8	85.7
Waste recovery quota in %[1,2]	95.2	94.6

1) Definition: Proportion of waste that has been recycled or sent for material recycling, waste-to-energy technologies or other use.
2) Coverage of the relevant production sites and relevant research and development sites.

FAIR WORK AND DIVERSITY

Objective

“Passionate, Partnering, Pioneering.” Based on its corporate values, Vitesco Technologies pursues the goal of offering its employees fair and attractive working conditions. This includes personal freedom, opportunities for further training and career development, flexibility, and a special focus on diversity, equity, and inclusion. This aspiration also forms a supporting pillar of the Group’s DIRECTION 2030 strategy in the focus area “Great People, Great Company.” It is based on the conviction that happy employees working in a fair and diverse environment are a key factor for Vitesco Technologies’ lasting business success.

In light of the technology shift towards electrification, HR work now has a further task: to manage the allocation of resources and the development of expertise, and to support employees through the transformation with appropriate measures. Upskilling and personal development, as well as cultivating a partnership-based dialog with employees and their representatives, play a decisive role here. The company also seeks to attract and retain talent by convincingly positioning itself as an attractive employer.

When it comes to diversity, Vitesco Technologies places a particular focus on internationality and strengthening the role of women in the workplace. Information on the objectives of the diversity concept at the level of the Supervisory Board and Executive Board, as well as at the management level below the Executive Board, can be found in the chapter Corporate Governance.

As part of its Sustainability Agenda, the company is pursuing two key objectives related to Fair Work and Diversity:

>Raise the share of women in management positions (executives and senior executives) across the Group to 21% by 2026.
>Increase the Employee Net Promoter Score (eNPS) as an indicator of employee satisfaction to a value of 25 by 2026.

Reliable labor standards and the protection of human rights in all company activities form an essential basis of Vitesco Technologies’ HR work. This includes the principle of freedom of association and the right to collective bargaining, clear regulations on working hours, wages, and social benefits, as well as a zero-tolerance approach to child labor, forced labor, modern slavery, and all forms of violence, harassment, and discrimination. At the beginning of 2023, existing processes for monitoring and implementing labor standards and human rights due diligence were systematically expanded in the management systems for human relations. Further information on human rights due diligence can be found in the section on Responsible Sourcing and Partnerships.

Concept

The Code of Conduct adopted by the Executive Board and the company’s Human Rights Policy set out the cornerstones for creating fair working conditions and promoting diversity. Both the Code of Conduct and the Human Rights Policy comply with the standards of the Responsible Business Alliance. Employees receive training on the Code of Conduct. A human rights management system was implemented at the beginning of 2023 with the aim of ensuring and monitoring compliance with human rights due diligence. In addition, regular standardized employee training on the topic of human rights is planned.

Vitesco Technologies’ strategic HR work is coordinated and managed by the Human Relations & Sustainability corporate function under the leadership of the Chief Human Resources Officer (defined in the Human Relations & Sustainability Manual). All strategic HR activities are embedded in the Group strategy DIRECTION 2030 and are based on the company’s values. The strategic contribution of the Human Relations & Sustainability corporate function focuses on efficient processes, a sustainable organization, and a successful transformation. The implementation of the HR strategy is supported methodically and procedurally by two key instruments:

> A target business model that describes and defines the various roles and responsibilities as well as working methods within the Human Relations & Sustainability corporate function.
> An HR management system was established to document and manage HR-related guidelines, standards, processes, forms and instructions, steer business processes, and identify and minimize process-related risks. The system was rolled-out in January 2023.

The Human Relations & Sustainability corporate function comprises six cross-company Centers of Expertise (CoE) that report directly to the Chief Human Resources Officer: 1. Talent Management, Organizational Development, Employer Branding & Recruiting; 2. Group Reward, Global Mobility & Business Travel; 3. Labor Relations; 4. Global People Services, People Analytics & Technology; 5. Sustainability & Security, and 6. Diversity, Equity & Inclusion.

Regional HR managers in the countries and HR managers with responsibility for Vitesco Technologies' business units are functionally subordinate to the Chief Human Resources Officer. When staffing and implementing projects, care is taken to ensure a balanced involvement of all HR managers so as to give equal consideration to the individual perspectives of the business units, specialist departments, and countries.

The central steering and decision-making body within the Human Relations & Sustainability corporate function is the monthly Human Relations & Sustainability Management team meeting: Once a month, all heads of the specialist departments and the functional HR managers of the countries and business divisions meet to report on the progress of ongoing projects, activities, and initiatives.

Progress in increasing the share of women in management positions is regularly reviewed by means of quarterly reports to the Executive Board. Besides the latest figures, the reporting also includes a forecast of future developments and measures that were defined to achieve the targets set. The share of women in management positions is also integrated as a KPI in the long-term incentive plans (LTI plans) for executives.

To monitor employee satisfaction and incorporate their concerns, Vitesco Technologies conducts an annual global employee survey. The results are then shared in the respective areas of responsibility and communicated by the management across all levels of the organization. Both the communication of the results and the subsequent binding development, and remediation of the areas identified as needing improvement are tracked via an automated Action Tracking Dashboard. Improvements and progress are communicated transparently within the company and regularly reported back to the management.

In addition, there is regular exchange with trade unions and employee representatives at various levels of the company. In Germany, local works councils exist at all Vitesco Technologies GmbH, Vitesco Technologies Germany GmbH, and Vitesco Technologies Emitec GmbH sites. The latter was spun off from the Group and sold with effect from Aug. 1, 2023. These companies also have general works councils and co-determined supervisory boards. Vitesco Technologies Roding GmbH also has local works councils, and Vitesco Technologies Group AG also has a co-determined Supervisory Board.

Results

The share of women in management positions (executives and senior executives) across the Group was 17.0% in fiscal 2023, a year-on-year increase of 1.6 percentage points (previous year: 15.4%). Among other things, two measures contributed to this: first, the Female Talents focus group is given special consideration and support in internal talent management. Second, there is a mandatory requirement in the recruitment process that at least one woman and one person from another diversity dimension must be interviewed in each selection process (given a minimum of three applicants). In addition, Vitesco Technologies has continued the gender-sensitive job advertisements introduced in 2022 and places a special focus on directly addressing women in certain professional fields. The company signed the United Nations Women's Empowerment Principles and the Diversity Charter in 2021 to reaffirm its commitment to gender diversity and equal opportunities.

The second KPI, the Employee Net Promoter Score, stood at 30 points in fiscal 2023, an increase of 6 points compared to the previous year (previous year: 24 points). The reasons for this were that communication measures were further intensified and the employee survey became established as the most important internal feedback tool. The global Brand Ambassador team, which actively approached employees during the survey period, also helped. The eNPS for fiscal 2023 was calculated based on the annual global employee survey, the second one to which all employees, including those working in the production areas, were invited. This meant that 100% of employees worldwide (excluding temporary workers) were eligible to take part. The average response rate was 83% (previous year: 71%). It is a positive signal for the satisfaction of the workforce and the attractiveness of Vitesco Technologies as an employer that employees with an explicitly positive opinion (promoters) were clearly in the majority compared to those with a negative opinion (detractors).

In the HR-related areas of flexibility and staff development, Vitesco Technologies offers its employees a wide range of options. They can take time off to care for a sick child, take parental leave, grandparental leave or educational leave, or take a sabbatical. Depending on the local laws at the various locations, part-time work, bridging part-time work, and flextime agreements are also possible. In addition, the option to work remotely has been available since 2020. Central guidelines have been further expanded in several countries (e.g., United States, Romania) and have been positively received as timely employee retention measures. This enabled Vitesco Technologies to again meet the challenges of flexible working conditions in fiscal 2023.

To support employees in the transformation process towards electrification and e-mobility and offer them the opportunity for further development, Vitesco Technologies continued the training offensive launched in 2019. The range of individual learning opportunities was also expanded worldwide in 2023. It now includes training courses developed in collaboration with international universities as well as learning units with in-house trainers and on-the-job upskilling. In fiscal 2023, for example, the Electrification Program I in-service training was made available to all employees as a fully digitized modular learning program. Since 2023, employees have been able to complete all modules of the Electrification Program I online and therefore anywhere in the world, at any time. Electrification Program II was also successfully continued in fiscal 2023 as an advanced module for Vitesco Technologies-specific knowledge transfer. In addition, in-house Q&A sessions are hosted where experts ensure that the knowledge imparted from both programs is properly understood, and discuss it with their colleagues.

Information on personnel expenses in fiscal 2023, i.e. wages and salaries, social security contributions and pension expenses, can be found in the Notes to Consolidated Financial Statements, in the Personnel Expenses section. Employee benefits, such as pensions, retirement benefits, and long-term bonus payments, are broken down in the Notes to Consolidated Financial Statements, in the section on Employee Benefits.

Key Performance Indicators for Fair Work and Diversity	**2023**	2022
Share of women in management positions (executives and senior executives; as of December 31) in %	17.0	15.4
Employee Net Promoter Score, eNPS[1]	30	24

1) To survey the eNPS, employees are asked to rate the statement: "I would recommend Vitesco Technologies as an employer to friends or family members" using an eleven-point scale. The eNPS is calculated by subtracting the proportion of detractors from the proportion of promoters. Detractors respond to this question with a value between 0 and 6 (very unlikely to unlikely), promoters with 9 or 10 (very likely). People who give a value of 7 or 8, defined as passives, are not included in the calculation. As a result, values between -100 and +100 are possible.

Further information on the topic of Fair Work and Diversity can be found in the separate Sustainability Report (see ir.vitesco-technologies.com, Sustainability section).

RESPONSIBLE SOURCING AND PARTNERSHIPS

Objective

Vitesco Technologies strives to act in a socially and environmentally responsible manner across its entire value chain. Ethical business practices, sustainability, and human rights due diligence are therefore guiding principles in the company's business relationships.

Particular attention is paid to responsible procurement processes. Transparency, risk analyses, and appropriate control mechanisms applied in cooperation with direct and selected indirect suppliers are of vital importance here. Vitesco Technologies pursues the following goals for its further development with regard to responsible procurement and partnerships:

- Increase and maintain the percentage of strategic suppliers covered by the Business Partner Code of Conduct to 100% by 2023.
- Expand the human rights management system in the supply chain in accordance with internal and external standards and legal requirements by 2023.
- Implement an audit system for high-risk suppliers by 2023.
- Increase and maintain the percentage of high-risk production material suppliers which conducted a self-assessment to 50% by end of 2023.

The targets "Expand the human rights management system in the supply chain in accordance with internal and external standards and legal requirements by 2023," "Implement an audit system for high-risk suppliers by 2023" and "Increase and maintain the percentage of high-risk production material suppliers which conducted a self-assessment to 50% by end of 2023" were achieved in the fiscal year 2023. As for the target "Increase and maintain the percentage of strategic suppliers covered by the Business Partner Code of Conduct to 100% by 2023," by December 31, 2023 a value of only 98.3% was achieved, as some negotiations with business partners were delayed, and the value achieved represents a year-end snapshot.[4]

Concept

Responsible conduct in the value chain begins with specific requirements that Vitesco Technologies places on its direct suppliers and sets out in contracts. The Business Partner Code of Conduct sets out the basic requirements that apply to suppliers and their upstream supply chains with regard to working conditions, human rights, environmental protection, anti-corruption, and other aspects.

Since June 2021, Vitesco Technologies has been a member of the Responsible Business Alliance (RBA), a non-profit industry association dedicated to improving of social, environmental, and ethical conditions in global supply chains. Membership makes the RBA Code of Conduct binding for Vitesco Technologies and its business partners. Accordingly, the

[4] New targets will be adopted in the course of the 2024 fiscal year.

Code of Conduct for employees, the Business Partner Code of Conduct and the Human Rights Policy, which was updated in fiscal 2023, reflect the standards of the RBA. In 2023, Vitesco Technologies revised and expanded its existing risk and control management system for suppliers as part of its RBA membership and has since offered comprehensive training measures for suppliers. A particular focus here is on the topic of human rights due diligence. To implement the requirements of the German Supply Chain Due Diligence Act (LkSG), Vitesco Technologies introduced corresponding due diligence processes in fiscal 2023.

To determine its high-risk suppliers, Vitesco Technologies uses the RBA risk assessment: To do this, the company first enters its strategic supplier and product data into the tool, which then calculates a corresponding risk for each supplier based on external information. Vitesco Technologies then contacts high-risk suppliers identified in this way and asks them to complete the Self-Assessment Questionnaire (SAQ). Vitesco Technologies only enters into business relationships with potential strategic suppliers if, according to this self-assessment, there is no high risk of violations of the Code of Conduct.

Violations of the company's standards in existing business relationships can be reported at any time via the globally accessible Integrity Line. Reports are followed up and investigated. In the event of specific suspected cases, suppliers are confronted about the situation and asked for clarification. Usually, an audit (possibly with an action plan and re-audit) is then carried out at the suppliers in order to eliminate the suspicion (or, if the suspicion is confirmed, to remedy the deviations). Vitesco Technologies also reserves the right to terminate the business relationship.

The topic Responsible Sourcing and Partnerships lies within the responsibility of the Purchasing & Supplier Quality corporate function, which is organized by business units and product groups with teams in the various countries. When it comes to ethical issues and standards, Purchasing works closely with the Compliance and Sustainability & Security departments as well as with the corporate function Quality & LEAN. The head of the corporate function Purchasing & Supplier Quality Management reports directly to the CEO.

Vitesco Technologies procures a wide range of production materials from a global supplier base. The main primary products and raw materials used are steel, aluminum, precious metals, copper, and plastics. In order to create transparency in the supply chain for cobalt and "conflict minerals," as defined by the US Dodd-Frank Act, and to monitor compliance with human rights standards, Vitesco Technologies uses two reporting templates from the Responsible Minerals Initiative (RMI): the Conflict Minerals Reporting Template (CMRT) and the Extended Minerals Reporting Template (EMRT). Each year, the company uses these templates to request information from its suppliers on the countries of origin of minerals, processing smelters and refineries as well as their certification status with regard to recognized social and environmental criteria.

Results

One KPI for Responsible Sourcing and Partnerships is the share of strategic suppliers covered by the Business Partner Code of Conduct. This KPI shows the proportion of strategic suppliers that are contractually obliged to comply with the Business Partner Code of Conduct – either by signing the Code of Conduct as part of the supplier contract, or by providing evidence of an equivalent that applies to them.

In fiscal 2023, this coverage rate was 98.3%. The figure showed a slight year-on-year increase of 5.5 percentage points (previous year: 92.8%), as targeted measures were implemented to increase the level of coverage when the new Business Partner Code of Conduct was published. Strategic suppliers account for 67.1% of the total purchasing volume of production materials.

The second KPI for Responsible Sourcing and Partnerships is the share of high-risk production material suppliers which conducted a self-assessment. This share was 55.8% in fiscal 2023, an increase of 28.0 percentage points compared to the previous year (previous year: 27.8%). One of the main reasons for this was that the topic was systematically pursued and fast-tracked together with the suppliers.

Key Performance Indicators for Responsible Sourcing and Partnerships	2023	2022
Share of strategic suppliers covered by Business Partner Code of Conduct (as of December 31) in %[1]	98.3	92.8
Share of high-risk production material suppliers which conducted a self-assessment in %	55.8	27.8

1) Basis: Strategic Supplier List (SSL). Suppliers must meet various requirements to be listed as strategic.

Quantitative information about the reports on conflict minerals to Vitesco Technologies, and further information on Responsible Sourcing and Partnerships can be found in the separate Sustainability Report (see ir.vitesco-technologies.com, Sustainability section).

OCCUPATIONAL HEALTH AND SAFETY

Objective

Occupational Health and Safety is an essential component of Vitesco Technologies' corporate culture. This involves the aspiration to prevent damage to people, goods and the environment and to actively promote the health of everyone in the company. Two specific targets have been defined for this purpose:

- >Increase and maintain the percentage of employees covered by certifications for occupational health and safety management systems (ISO 45001) to over 95% by 2030.
- >Reduce the accident rate, defined as the number of accidents per million hours worked, to 1.4 by 2027.[5]

The accident rate is integrated as a KPI in the long-term incentive plans for managers and in the targets for sites. In this way, Vitesco Technologies sets strategic incentives for achieving the associated target.

Concept

The implementation of occupational health and safety is ensured worldwide by a global management system (ISO 45001 or comparable). It is overseen by the certified Sustainability & Security department in the Chief Human Resources Officer's remit, and its effectiveness is confirmed by matrix certification and individual local certifications. Vitesco Technologies thus aims to improve protection against accidents and work-related illnesses. Preventive measures are designed to reduce hazards and minimize risks. In particular, these measures include risk assessments, audits, and remedial and training measures. The management system also includes procedures and preventive measures for handling hazardous substances.

The Group-wide guideline for occupational health and safety is the Environment, Safety and Health (ESH) Policy. Its technical and organizational requirements for occupational health and safety are described in the Safety and Health Manual. All employees have a way to report accidents using a reporting software. In the event of serious incidents, the local ESH expert teams can use the ESH hotline to phone in the incident to the central department. For supra-regional crises, there is

[5] In November 2022, Vitesco Technologies concluded a new revolving credit facility (RCF) with ESG-Link. For one of the two sustainability criteria taken into account, the accident rate in the company, it was contractually agreed to set a target value for 2027 during fiscal 2023. Based on this, a target accident rate of 1.4 for 2027 was defined in 2023 in consultation with Vitesco Technologies' core banks, and the internal target was adjusted accordingly.

a global crisis management team in the remit of the Sustainability & Security department, which coordinates the response of the site crisis teams and supports them with specialist knowledge and work materials. Local emergencies are managed independently by the local crisis teams.

Strategic responsibility for occupational health and safety as well as responsibility for the global management system lies with the Sustainability & Security department. ESH functions in the countries complement the central structure. Local health managers, who report to the site managers, and occupational health and safety committees, coordinate and manage the associated operational measures on site.

Beyond this, the company has an in-house health management system to promote 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 by the Sustainability & Security department. Implementation and monitoring tasks are the responsibility of local health managers and committees. In addition, in accordance with local legal requirements for occupational health and safety, company medical services are available at many locations, and may also be represented on the local occupational health and safety committees. Regular assessments of the mental health risk situation are also integrated into the occupational health and safety management system.

Results

One KPI for Occupational Health and Safety is the percentage of employees covered by certifications for occupational health and safety management systems (ISO 45001). As of December 31, 2023, it stood at 92.0%, a year-on-year increase of 0.5 percentage points (previous year: 91.5%) that reflects the certification of a further production site.

The second KPI is the accident rate at the company. In fiscal 2023, there were 1.4 accidents per million hours worked. Compared to the previous year, the figure was down by 0.3 points (previous year: 1.7). This was achieved through occupational health and safety campaigns at the sites as well as close monitoring and individual consultation with the central Sustainability & Security department for sites with high accident figures, with the aim of jointly developing action plans to reduce the number of accidents. The proactive definition of additional indicators and leading indicators aimed at preventing occupational accidents also contributed to the improvement and supported the move from a reactive to a proactive approach to occupational health and safety. These indicators were further developed in fiscal 2023.

The company introduced a Safety and Health Award as an additional incentive for the sites to continuously work on reducing their accident figures and establishing a proactive safety culture. The award recognizes an above-average promotion of safety practices and implementation of innovative measures to improve occupational health and safety – during the preceding fiscal year in each case. In 2023, the award went to a total of ten Vitesco Technologies' sites. In addition, the company further digitized its ESH management to enable more a comprehensive centralized recording and evaluation of incidents and to improve the sharing of best practices and the learning curve in the area of occupational safety.

Vitesco Technologies worked on several health management projects in fiscal 2023. The resilientMIND mindfulness and resilience program, for which more than 1,500 employees have registered to date, was further developed. More than 500 employees worldwide took part in activities to mark International Mental Health Day. In addition, the network of health managers at the sites was strengthened in order to implement health programs more effectively. The Healthy Leadership online management development program was also continued. New guidelines and training courses were implemented as part of improving the company's management of absences. To better be able to measure employee health, the company also worked on defining additional KPIs during the year under review.

Key Performance Indicators for Occupational Health and Safety	2023	2022
Certifications for occupational health and safety management systems (ISO 45001), employee coverage (as of December 31) in %	92.0	91.5
Accident rate (number of accidents per million hours worked)[1,2]	1.4	1.7

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) Excludes interns, thesis writers, doctoral students, apprentices, dual students, temporary workers, contractors, excludes commuting accidents.

BUSINESS ETHICS AND COMPLIANCE

Objective

Vitesco Technologies stands for the corporate values “Passionate, Partnering, Pioneering” as well as for acting with integrity and responsibility towards its stakeholders, such as customers, or society as a whole. Compliance by management and employees with the regulations and internal rules applicable to Vitesco Technologies Group AG and its subsidiaries is therefore an essential guideline for the company’s conduct and an integral part of its corporate culture. This is reflected not only in the binding Code of Conduct, but also in the behavior of management and employees. The Executive Board is expressly committed to the principles set out in the Code of Conduct and to the principle of zero tolerance.

The objective of Vitesco Technologies’ efforts in the area of Business Ethics and Compliance is to consistently and continuously strengthen the compliance culture, identify compliance risks, and take appropriate measures to prevent or mitigate them.

Concept

The Legal Compliance department is responsible for the topics of corruption prevention, money laundering prevention, antitrust law, data protection, and the management of conflicts of interest. Other compliance topics such as technical compliance, capital market compliance, environmental protection, health & safety, IT, and cyber security, supply chain due diligence, and trade sanctions are handled by other departments and/or functions in close coordination with each other.

Vitesco Technologies uses a comprehensive Legal Compliance Management System (Legal CMS) to manage its work in these areas. The Legal CMS is based on the German CMS audit standard IDW PS 980 and is described in detail in a separate company-wide guideline. It is divided into the following seven basic elements: culture, objectives, risks, program, organization, communication, and monitoring/improvement.

Regarding the most important element, a culture of compliance, Vitesco Technologies takes care to ensure that this is practiced and consistently supported by all employees. This is achieved not only through a clearly formulated “tone from the top” and “tone from the middle”, and a zero-tolerance policy, but also by creating a trust-based culture designed to enable employees to openly address compliance-related issues. For example, information about possible irregularities in all matters of governance and compliance can be communicated not only to the governance functions, but also reported through an anonymous whistleblower system (Integrity Line) that can be accessed both internally and externally; the responsibilities and processes for investigating such information in compliance with data protection regulations are set out transparently in a guideline.

With a view to continuously strengthening the compliance culture, the Legal Compliance department develops and publishes guidelines and relevant compliance standards for compliant behavior, e.g., an anti-corruption guideline, an antitrust guideline, a donations and sponsorship guideline, a quick-savings guideline, and the Business Partner Code of Conduct.

Vitesco Technologies' Legal CMS defines a compliance organization adapted to the company that combines central elements (Corporate Compliance Office) with decentralized elements (regional and local compliance officers and compliance champions). Until Sept. 30, 2023, primary responsibility for the Legal CMS lay with the Chief Financial Officer as part of his responsibility for the Compliance, Law, and Intellectual Property corporate function. Since Oct. 1, 2023, the Executive Board member for Integrity & Law has been responsible for the topic. The Chief Compliance Officer reports directly to him, as well as to the Supervisory Board's Audit Committee. The Chief Compliance Officer also defines the strategy for the Compliance department and is responsible for the operational management of the Legal CMS. He is supported in this by compliance officers, compliance experts, and compliance champions. The latter are employees from other departments who are available on site as the first point of contact for compliance issues and are closely involved in the work of the Compliance department. Other clearly defined reporting and communication channels are designed to ensure the necessary transparency regarding competencies and responsibilities. Comprehensive information on all elements of the Legal CMS can be found on Vitesco Technologies' global intranet and is accessible to all employees at any time.

The company's compliance culture is further strengthened through regular training on compliance topics, which are set out in a detailed learning program. Employees are proactively supported in legal and compliance matters by a central compliance helpdesk reachable by email, and by the compliance officers. In addition, adherence to compliance requirements is monitored regularly and on an ad hoc basis by the Legal Compliance department. The focus here is on the appropriateness and effectiveness of the Legal CMS. In addition, the Legal CMS is continuously developed based on identified weaknesses, and on risks identified during compliance risk analyses.

Results

As in previous years, compliance training courses were also held in 2023, in the form of e-tutorials as well as virtual classroom training. Vitesco Technologies also conducted Compliance Basics and Advanced Anti-Corruption trainings to combat corruption and bribery. These were supplemented by new advanced training courses on the topic of quick savings.

In 2023, no infringements in the sense of court- or authority-established violations of the law involving cases of corruption and bribery were known to the company.

FURTHER INFORMATION ON VITESCO TECHNOLOGIES' SUSTAINABILITY REPORTING

In addition to the topics listed here, the objectives, concepts, and results relating to Product Compliance and Quality, a topic which was also identified as significant but not material, are described in the separate Sustainability Report (see ir.vitesco-technologies.com, Sustainability section).

Vitesco Technologies sees itself as an active member of society. However, the reportable social concerns are currently limited to the relevant topics for employees. They are discussed in more detail in the Fair Work and Diversity section. Beyond this, no other material social concerns within the meaning of section 289c (4) of the German Commercial Code (HGB) were identified.

DISCLOSURES IN ACCORDANCE WITH THE EU TAXONOMY REGULATION[6]

According to Article 8 of the EU Taxonomy Regulation, Vitesco Technologies is required to disclose how and to what extent its own business activities are linked to economic activities that can be classified as environmentally sustainable economic activities as defined in Article 3 and Article 9 of the EU Taxonomy Regulation.

In line with the requirements of the EU Taxonomy Regulation, companies must analyze their business activities with regard to the six environmental objectives of ‘Climate change mitigation,’ ‘Climate change adaptation,’ ‘Sustainable use and protection of water and marine resources,’ ‘Transition to a circular economy,’ ‘Pollution prevention and control,’ and ‘Protection and restoration of biodiversity and ecosystems.’

In accordance with Article 8 of the EU Taxonomy Regulation, reporting companies must disclose the respective shares of Taxonomy-eligible, Taxonomy-aligned and Taxonomy-non-eligible economic activities in their total turnover as well as their capital expenditure, and operating expenditure with regard to environmental objectives 1 and 2 ‘Climate change mitigation’ and ‘Climate change adaptation’ for fiscal year 2023. Compared to fiscal year 2022, the EU has expanded the catalog of economic activities for the two environmental objectives ‘Climate change mitigation’ and ‘Climate change adaptation.’ In addition, for the first time, reporting companies must disclose the share of their Taxonomy-eligible economic activities in their total turnover and in their capital expenditure, and operating expenditure for environmental objectives 3 to 6 – ‘Sustainable use and protection of water and marine resources,’ ‘Transition to a circular economy,’ ‘Pollution prevention and control,’ and ‘Protection and restoration of biodiversity and ecosystems.’

OPPORTUNITIES AND CHALLENGES

We would like to point out that the EU Taxonomy Regulation continues to be dynamic in nature and that the following information is provided in accordance with the current state of interpretation.

The EU Taxonomy Regulation entails various uncertainties of interpretation and goes beyond the regulations to be applied by companies. For locations outside the European Union, this leads to further challenges, as their applicable legal situation may deviate from the regulations referenced in the EU Taxonomy Regulation.

The products and technologies developed and manufactured by Vitesco Technologies for the electric powertrain and electrification solutions for hybrid vehicles make a significant contribution to “increasing clean or climate-neutral mobility” in accordance with Article 10, para. 1, c) of the EU Taxonomy Regulation. With the changes to the two environmental objectives ‘Climate change mitigation’ and ‘Climate change adaptation,’ including the addition of further activities, Vitesco Technologies’ share of Taxonomy-eligible economic activities has increased significantly. This is due to the fact that components for zero-emission vehicles are now included in the EU Taxonomy Regulation, at least under certain conditions.

It should be noted at this point that the financial indicators disclosed in this section were calculated in accordance with the restrictive requirements of the EU Taxonomy Regulation. The calculation criteria for these indicators differ significantly from the turnover and investments cited in the Clean Mobility section.

6) In contrast to the other sections of the Non-Financial Statement, the following section Disclosures in accordance with the EU Taxonomy Regulation was audited with limited assurance by the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft.

PROJECT APPROACH FOR DETERMINING THE REPORTING INFORMATION

The Taxonomy-eligible activities already identified were subjected to a critical review in the current fiscal year, taking into account the new publications on environmental objectives 3 to 6 and the changes to environmental objectives 1 and 2, in order to ensure that the classification is accurate. In addition, new activities relevant to Vitesco Technologies were included.

The Taxonomy-eligible and Taxonomy-aligned activities relevant for Vitesco Technologies were determined in accordance with the method applied in fiscal year 2022, using the accounting policies described below:

> In accordance with Delegated Regulation (EU) 2021/2178 Article 1, No. 5 and 6, a Taxonomy-eligible economic activity is defined as a business activity that is described in the delegated acts adopted according to the EU Taxonomy Regulation, regardless of whether this economic activity meets all the technical test criteria set out in these delegated acts. A Taxonomy-non-eligible economic activity is an economic activity that is not described in the delegated acts adopted.

> Double counting in the calculation of indicators across economic activities is ruled out by the uniform population used for each key indicator.

> The draft FAQs published by the EU Commission on December 19, 2022 and the “Final Commission Notices” published on Oct. 20, 2023 on questions of interpreting the EU Taxonomy Regulation (“FAQ Climate Delegated Acts on the interpretation and implementation of legal provisions of the EU,” “FAQ Climate Delegated Acts on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8”) were also taken into account by Vitesco Technologies in preparing its disclosures in accordance with the EU Taxonomy Regulation for fiscal 2023.

> At Vitesco Technologies, the economic activities described in Delegated Regulation 2022/1214 of the EU Commission and in Annex XII only apply to the operation of own combined heat and power plants. Due to a lack of materiality, no further reporting is provided in this regard. The reporting in accordance with Annex XII of Delegated Regulation 2021/2178 of the EU Commission can be found in the Annex.

> No presentation in accordance with Delegated Regulation (EU) 2023/2486 Annex V footnote c) is provided, as Vitesco Technologies only reports economic activities under the environmental objective ‘Climate change mitigation.’

TAXONOMY ELIGIBILITY

In accordance with Annex I of Delegated Regulation (EU) 2021/2139 and Delegated Regulation (EU) 2023/2485 amending it, the following economic activities of Vitesco Technologies have been identified as Taxonomy-eligible under the environmental objective of ‘Climate change mitigation’:

>Activity 3.4. Manufacture of batteries

Annex I of the Delegated Regulation defines this 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 respective components (battery active materials, battery cells, casings, and electronic components).” The manufacture of components for batteries and battery management systems can be clearly assigned to this activity.

In accordance with the amendments to the requirements of Annex I of Delegated Regulation (EU) 2021/2139, the following economic activities of Vitesco Technologies were also identified as Taxonomy-eligible in fiscal 2023:

>Activity 3.18. Manufacture of automotive and mobility components

The amendments to Annex I of the Delegated Regulation define this economic activity as the “manufacture, repair, maintenance, retrofitting, repurposing and upgrade of mobility components for zero-emission personal mobility devices and of automotive and mobility systems, components, separate technical units, parts and spare parts, […] type-approved, designed, and constructed for use only in vehicles and buses of category M1, M2, M3, N1, N2 and N3, [and] type-approved, designed, and constructed for use only in vehicles of category L meeting the criteria set out […] and which are essential for delivering and improving the environmental performance of the vehicle.” Taking into account the restrictions set out in the activity description, the manufacture of components for zero-emission vehicles can be clearly assigned to this activity.

No further activities relevant to Vitesco Technologies were identified in relation to Annexes I, II, III, and IV of Regulation (EU) 2020/852. The economic activities carried out by Vitesco Technologies are therefore not covered under the environmental objectives ‘Sustainable use and protection of water and marine resources,’ ‘Transition to a circular economy,’ ‘Pollution prevention and control,’ and ‘Protection and restoration of biodiversity and ecosystems.’

In addition to the aforementioned product-related economic activities, Vitesco Technologies carries out other Taxonomy-eligible activities that are not directly related to the product portfolio. These include:

>Activity 6.5. Transport by motorbikes, passenger cars and light commercial vehicles
>Activity 7.3. Installation, maintenance and repair of energy-efficient equipment
>Activity 7.6. Installation, maintenance and repair of renewable energy technologies
>Activity 7.7. Acquisition and ownership of buildings

TAXONOMY ALIGNMENT

The following criteria were examined to determine Taxonomy alignment:

>Evidence of a substantial contribution to the environmental objective of ‘Climate change mitigation’ as a result of the activity 3.4. Manufacture of batteries

It was necessary to demonstrate that the manufacture of rechargeable batteries can lead to a reduction in GHG emissions in the transport sector, for example. The battery components manufactured by Vitesco Technologies are intended for the transport sector and form part of the electrification solutions in the product portfolio described above. Where technically possible, the use of secondary raw materials is given preference in their production. The criteria for a substantial contribution are therefore fulfilled.

>Compliance with the Do No Significant Harm (DNSH) criteria to avoid negative impacts on the other five environmental objectives.

The locations relevant to battery production were inspected in order to verify compliance with the DNSH criteria.

- For the environmental objective ‘Climate change adaptation,’ a climate risk analysis was carried out to identify possible negative effects of climate change on the battery production sites. No significant climate risks were identified in the climate risk analysis.
- For the environmental objective ‘Sustainable use and protection of water and marine resources,’ it was necessary to ensure that the activity does not pose a risk to water quality and does not promote water scarcity. In addition, it had to be ensured that the achievement of a good environmental status of marine waters would not be hindered or that the environmental status of marine waters would not deteriorate. The analysis mainly drew on the existing ISO 14001 certificates and external analyses of regions with increased water stress, as well as official documents.
- For the environmental objective ‘Transition to a circular economy,’ the possibility and actual use of secondary raw materials, the recyclability and durability of the product, and the traceability of substances of concern were assessed based on the company’s internal “Design for Environment” guideline, and actions were taken accordingly. Thus, Vitesco Technologies fulfills the requirements.
- For the environmental objective ‘Pollution prevention and control’ mandates compliance with the REACH regulation and all applicable sustainability regulations for placing batteries on the market. In addition, the total allowable level of substances on the candidate list for the REACH regulation, Substances of Very High Concern (SVHC), is 0.1% by mass compared to

the article (0.1% w/w criterion). Vitesco Technologies interprets the amendment to letter f of Appendix C to mean that the 0.1% w/w threshold applies to the articles included in the respective component, e.g., the battery junction box, which is sold by Vitesco Technologies as part of the final product. Vitesco Technologies tracks the use of such substances based on IMDS information on SVHCs and labels the substances according to existing legal requirements, e.g., substance quantities used above the threshold. For substances that go above the threshold of > 0.1% by weight, Vitesco Technologies checks and documents whether other suitable alternative substances or technologies are available on the market, and whether the substances used are used under controlled conditions. The existing requirements of the automotive sector and the management processes implemented by Vitesco Technologies to comply with these environmental requirements ensure conformity with the REACH regulation. The company strictly refrains from using substances from the candidate list that are transferred to the Annex XIV REACH authorization list.
- For the environmental objective ‘Protection and restoration of biodiversity and ecosystems,’ the battery production sites were analyzed for any potential impact on biodiversity areas. In addition to the Natura2000, WWF-BRF, ENCORE, and IBAT databases, the ISO 14001 certifications and existing impact assessments were used for this purpose. Vitesco Technologies fulfills the requirements at all relevant locations.

>Compliance with the requirements of the frameworks listed in the minimum social safeguards. Monitoring and compliance is carried out via the company’s internal management concept for analyzing and addressing risks, in particular the identified human rights risks.

Activity 3.4. Manufacture of batteries meets the Taxonomy alignment requirements for the company’s own production facilities. The turnover, capital expenditure, and operating expenditure associated with these production facilities are reported below as Taxonomy-aligned.

The share of Taxonomy-eligible but not Taxonomy-aligned turnover from Activity 3.4. Manufacture of batteries relates to contract manufacturing. In accordance with the FAQs published by the EU Commission on December 19, 2022, contract manufacturing is to be taken into account in the reporting. An audit of the technical assessment criteria could not be carried out as the contract manufacturer did not confirm that all relevant criteria were met.

With regard to activity 3.18. Manufacture of automotive and mobility components, reporting on Taxonomy alignment is not mandatory for this year’s reporting. Vitesco Technologies therefore only reports on the Taxonomy eligibility of these activities. Vitesco Technologies expects to be able to report a large part of this turnover, capital expenditure, and operating expenditure as Taxonomy-aligned in the future, as a large part of the Taxonomy alignment criteria are congruent with activities already reported as Taxonomy-aligned.

The above-described Taxonomy-non-eligible, non-turnover-related activities fall under the definition of points 1.1.2.2I) and 1.1.3.2 (c) in Annex I of Delegated Regulation (EU) 2021/2178 and are therefore considered as an acquisition of products from Taxonomy-eligible or Taxonomy-aligned economic activities carried out by other companies. According to the current interpretation of the EU Taxonomy Regulation, evidence of Taxonomy alignment in these cases cannot be provided by Vitesco Technologies itself, but only by the supplier of the service. Only by means of evidence provided by the supplier can this capital expenditure or operating expenditure be reported as Taxonomy-aligned at Vitesco Technologies. Due to the fact that this information has not yet been provided along the supply chain, these activities cannot be reported as Taxonomy-aligned in the current fiscal year and are therefore reported only as Taxonomy-eligible. In this connection, a more intensive exchange with the relevant suppliers is being sought for the coming fiscal year.

REPORT DETAILS

The turnover associated with the identified Taxonomy-eligible, product-related economic activities (eligible turnover) was determined using a turnover classification by product group from the existing financial accounting systems. The share of all Taxonomy-eligible economic activities in total turnover thus amounted to 4.87% in fiscal 2023. The share of all Taxonomy-aligned economic activities in total turnover amounted to 0.30% in fiscal 2023. The total turnover used for the calculation corresponds to the net turnover reported in the annual report in accordance with IFRS.

Share of Taxonomy-aligned and not Taxonomy-aligned economic activities in total turnover	Turnover in € thousand (2023)	Share in % (2023)
Turnover from Taxonomy-aligned economic activities	27,548	0.30
Turnover from Taxonomy-eligible, not Taxonomy-aligned economic activities	421,930	4.57
Turnover from Taxonomy-non-eligible economic activities	8,783,749	95.13
Total	**9,233,227**	**100**

Since, as in the previous year, only the economic activity 3.4. Manufacture of batteries was reported, the Taxonomy-aligned share of turnover has not changed significantly year-on-year (previous year: €6,100 thousand).

Capital expenditure related to assets or processes associated with Taxonomy-eligible economic activities (eligible CapEx) was identified through a breakdown of Vitesco Technologies' total capital expenditure by cost type. Among the production-related investments, only those relating to the products of the economic activities described above and identified as Taxonomy-eligible were considered. Capital expenditure in integrated production facilities that could not be clearly allocated to the recorded business activities was distributed according to a key. The turnover of the relevant production facility was used to determine the distribution key. In the case of integrated production facilities, the percentage share of Taxonomy-eligible capital expenditure thus corresponds to the percentage share of Taxonomy-eligible turnover. The same procedure was used to determine the Taxonomy-aligned capital expenditure.

The supplementary capital expenditure was differentiated according to asset class. For example, capital expenditure for the company's own vehicle fleet and the acquisition of buildings was included.

According to this, the share of Taxonomy-eligible capital expenditure in total capital expenditure amounted to 19.36% in fiscal 2023. The share of Taxonomy-aligned capital expenditure in total capital expenditure amounted to 4.57% in fiscal 2023. The total capital expenditure taken as a basis corresponds to the gross additions to intangible and tangible fixed assets, as well as the right-of-use assets recognized in accordance with IFRS 16.

Share of capital expenditure related to Taxonomy-aligned and not Taxonomy-aligned economic activities in total capital expenditure	Capital expenditure in € thousand (2023)	Share in % (2023)
Capital expenditure related to Taxonomy-aligned economic activities	31,906	4.57
Capital expenditure related to Taxonomy-eligible, not Taxonomy-aligned economic activities	103,379	14.80
Capital expenditure related to Taxonomy-non-eligible economic activities	563,456	80.64
Total	**698,741**	**100**

Since, as in the previous year, only the economic activity 3.4. Manufacture of batteries was reported, the Taxonomy-aligned share of capital expenditure has not changed significantly year-on-year (previous year: €11,682 thousand).

Operating expenditure relating to assets or processes in connection with Taxonomy-eligible economic activities (eligible OpEx) was determined for the activities identified as Taxonomy-eligible according to the distribution key also described for capital expenditure. The operating expenditure for the identified, non-product-related activities could be allocated directly. In accordance with the definition in the EU Taxonomy Regulation, the following types of cost were used as a basis:

>Research and development costs
>Maintenance and repair costs
>Current leases

The same procedure was used to determine Taxonomy-aligned operating expenditure.

The share of Taxonomy-eligible operating expenditure in total operating expenditure as defined in the EU Taxonomy Regulation amounted to 52.81% in fiscal 2023. The share of Taxonomy-aligned operating expenditure in total operating expenditure amounted to 8.16% in fiscal 2023. The Taxonomy-eligible and Taxonomy-aligned shares of operating expenditure can be seen in the “of which” notes below.

Share of operating expenditure related to Taxonomy-aligned and not Taxonomy-aligned economic activities in total operating expenditure	**Operating expenditure in € thousand (2023)**	**Share in % (2023)**
Operating expenditure related to Taxonomy-aligned economic activities	61,814	8.16
of which operating expenditure for research and development	61,617	8.14
of which operating expenditure for maintenance and repair	197	0.03
Operating expenditure related to Taxonomy-eligible, not Taxonomy-aligned economic activities	338,157	44.65
Operating expenditure related to Taxonomy-non-eligible economic activities	357,352	47.19
Total	**757,323**	**100**

Since, as in the previous year, only the economic activity 3.4. Manufacture of batteries was reported, the Taxonomy-aligned share of operating expenditure has not changed significantly year-on-year (previous year: €37,441 thousand).

The mandatory templates on the key indicators for Taxonomy-eligible and Taxonomy-aligned economic activities can be found in the annex below.

Annex 1 – Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year N		2023		**Substantial Contribution Criteria**						**DNSH criter‘a ('Does Not Significantly harm')**									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		***kEUR***	**%**	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/ N*	*Y/ N*	*Y/ N*	*Y/ N*	*Y/ N*	*Y/ N*	*Y/ N*	*%*	***E***	***T***
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of batteries	CCM 3.4.	27,548	0.30%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.07%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		27,548	0.30%	0.30%						**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0.07%**		
Of which enabling		27,548	0.30%	0.30%						Y	Y	Y	Y	Y	Y	Y	0.07%	E	
Of which transitional										Y	Y	Y	Y	Y	Y	Y			T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Manufacture of Batteries	CCM 3.4.	10,588	0.11%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.15%		
Manufacture of automotive and mobility components	CCM 3.18.	411,342	4.46%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		421,930	4.57%	4.57%													0.15%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		449,478	4.87%	4.87%													0.22%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		8,783,749	95.13%																
TOTAL		9,233,227	100%																

Annex 2 – Template: Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year N		2023		Substantial Contribution Criteria						DNSH criter'a ('Does Not Significantly harm')									
Economic Activities (1)	Code(s) (2)	CapEx (3)	Proportion of CapEx, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1) or eligible (A.2) CapEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
		kEUR	*%*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of batteries	CCM 3.4.	31,906	4.57%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2.06%	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**31,906**	**4.57%**	**4.57%**						**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	2.06%		
Of which enabling		31,906	4.57%	4.57%						Y	Y	Y	Y	Y	Y	Y	2.06%	E	
Of which transitional		0.00																	T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Manufacture of automotive and mobility components	CCM 3.18.	69,046	9.88%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	7,328	1.05%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.97%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3.	837	0.12%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.27%		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6.	50	0.01%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.27%		
Acquisition and ownership of buildings	CCM 7.7.	26,118	3.74%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								6.97%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		103,379	14.80%	14.80%													8.48%		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		135,285	19.36%	19.36%													10.54%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		563,456	80.64%																
TOTAL		698,741	100%																

Annex 3 – Template: Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year N			**2023**	**Substantial Contribution Criteria**						**DNSH criter'a ('Does Not Significantly harm')**									
Economic Activities (1)	Code	OpEx	Proportion of OpEx, year N	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1) or eligible (A.2) CapEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)			
Text		***kEUR***	***%***	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	***E***	***T***
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of Batteries	CCM 3.4.	61,814	8.16%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	5.10%	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**61,814**	**8.16%**	**8.16%**						**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**5.10%**		
Of which enabling		61,814	8.16%	8.16%						Y	Y	Y	Y	Y	Y	Y	5.10%	E	
Of which transitional										Y	Y	Y	Y	Y	Y	Y			T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Manufacture of automotive and mobility components	CCM 3.18.	314,950	41.59%	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Acquisition and ownership of buildings	CCM 7.7.	23,207	3.06%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3.00%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		338,157	44.65%	44.65%													3.00%		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		**399,971**	52.81%	52.81%													8.10%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		357,352	47.19%																
TOTAL		**757,323**	100%																

Annex 4 – Template: Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To Vitesco Technologies Group Aktiengesellschaft, Regensburg

We have performed a limited assurance engagement on the information on REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020, disclosed in the section “Disclosures in Accordance with the EU Taxonomy Regulation” of the consolidated non-financial statement of Vitesco Technologies Group Aktiengesellschaft, Regensburg (hereinafter the “Company” or “Vitesco Technologies”), for the period from 1 January to 31 December 2023 (hereinafter “EU Taxonomy Regulation Disclosures”) included in section “Sustainability and Consolidated Non-Financial Statement” of the consolidated group management report.

Responsibilities of Management

The legal representatives of the Company are responsible for the preparation of information disclosed in the section “Disclosures in Accordance with the EU Taxonomy Regulation” of the consolidated non-financial statement for the business year from 1 January to 31 December 2023, in accordance with Sections 315c in conjunction with 289c to 289e HGB (“Handelsgesetzbuch”: German Commercial Code) and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the “EU Taxonomy Regulation”) and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the delegated acts adopted thereunder as set out in section “Disclosures in Accordance with the EU Taxonomy Regulation” of the consolidated non-financial statement.

This responsibility includes the selection and application of appropriate methods to prepare disclosures in accordance with EU Taxonomy Regulation and making assumptions and estimates about individual disclosures of the group that are reasonable in the circumstances. Furthermore, management is responsible for such internal control as they consider necessary to enable the preparation of disclosures in accordance with EU Taxonomy Regulation that is free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, management has disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section “Disclosures in Accordance with the EU Taxonomy Regulation” of the consolidated non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Assurance of the Assurance Practitioner’s firm

We have complied with the independence and quality assurance requirements set out in the national legal provisions and professional pronouncements, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1).

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the EU Taxonomy Regulation Disclosures in the consolidated non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Com’any's EU Taxonomy Regulation Disclosures for the period from 1 January to 31 December 2023, are not prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by management disclosed in section “Disclosures in Accordance with the EU Taxonomy Regulation” of the consolidated non-financial statement.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

>A risk analysis, including media research, to identify relevant information on Vitesco Technologies Group Aktiengesellschaft’s sustainability performance in the reporting period
>Interviewing responsible employees at the Group level to obtain an understanding of the procedures for identifying taxonomy-eligible and -compliant economic activities in accordance with the EU Taxonomy
>Assessment of the design and implementation of systems, processes and measures for the identification, processing and monitoring of revenue, capital expenditure and operating expenses for taxonomy-eligible and -compliant economic activities
>Assessment of the process for identifying taxonomy-eligible and taxonomy-compliant economic activities and the corresponding disclosures in the report
>Inspection of selected internal and external documents
>Assessment of the overall presentation of the information on the EU taxonomy

In determining the EU Taxonomy Regulation Disclosures, management is required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the section “Disclosures in Accordance with the EU Taxonomy Regulation” of the consolidated non-financial statement of Vitesco Technologies Group Aktiengesellschaft, Regensburg, for the period from 1 January to 31 December 2023 has not been prepared, in all material respects, in accordance with Sections 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by management as disclosed in section “Disclosures in Accordance with the EU Taxonomy Regulation” of the consolidated non-financial statement.

Restriction of Use

This assurance report is solely addressed to Vitesco Technologies Group Aktiengesellschaft, Regensburg.

Our assignment for Vitesco Technologies Group Aktiengesellschaft, Regensburg, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated 1 January 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

Munich, March 7, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Stauder	Vogl
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

ECONOMIC REPORT

GENERAL CONDITIONS

MACROECONOMIC DEVELOPMENT

The developments in the financial markets in 2023 were influenced by a large number of factors. These included in particular important economic and inflation data, interest rate hikes by the world's leading central banks, the suspension of the US debt ceiling, the ongoing Russian invasion of Ukraine, and the escalation of conflict in Israel. Despite the large number of burdens, the financial markets developed positively in many of the world's regions. The suspension of the US debt ceiling meant that the US was able to avoid defaulting on its payments.

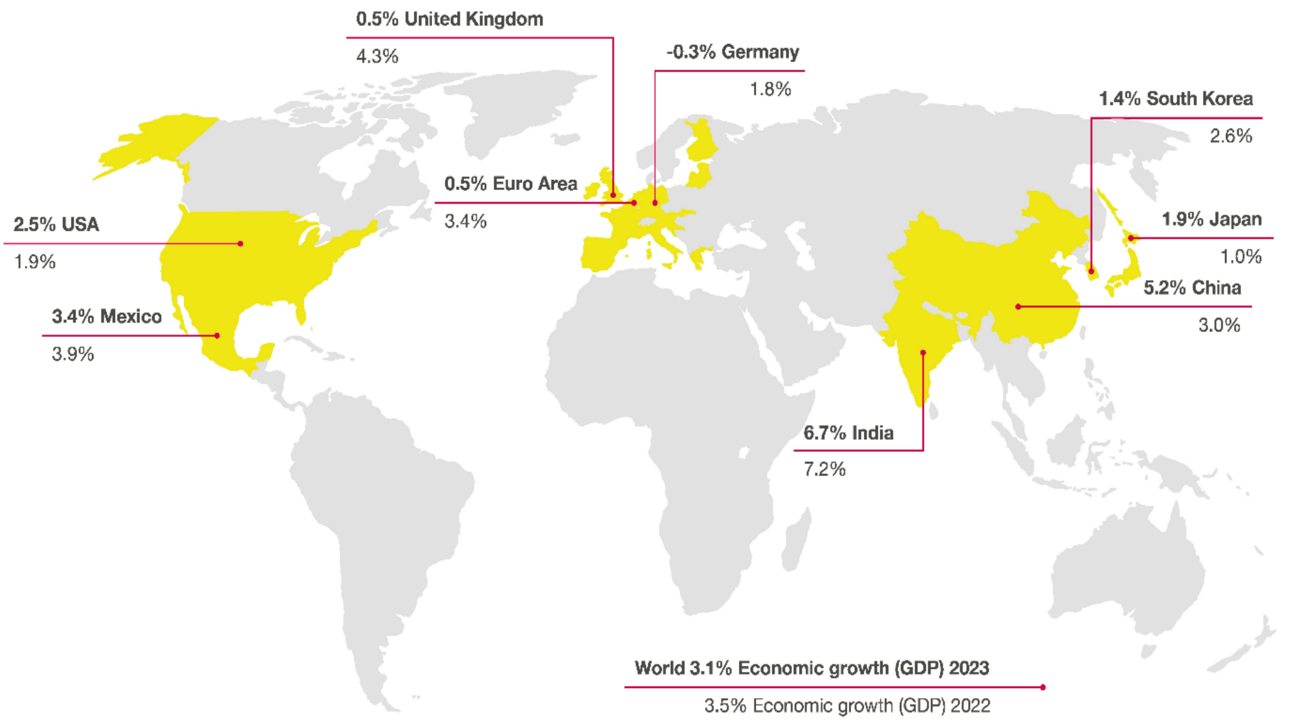
The global stock market indexes ended 2022 with losses, some of them a double-digit percentage, when the inflation rates in Europe and the US had reached record highs and the central banks in the US and eurozone made their monetary policy considerably more restrictive. The energy prices that had shot up due to the Ukraine crisis acted as an additional burden. However, for many companies, this also provided opportunities to achieve a countereffect due to the low valuation levels. As 2023 progressed, the inflation rates in the eurozone and US fell steadily, from 8.5% to 2.9% and 6.4% to 3.4% respectively. The declining inflation rates in Europe are primarily attributable to the lower energy prices. The restrictive monetary policy of the US Federal Reserve (Fed) and European Central Bank (ECB) was also an additional brake on inflation. The Fed increased its target interest rate range in four steps, from 4.25%–4.50% to 5.25%–5.50%, and the ECB its main refinancing rate in six steps, from 2.50% to 4.50%.

Supported by factors such as the ECB's stronger interest rate increase, the euro gained value moderately against the US dollar and reached a year-end rate of approximately 1.10 EUR/USD. Due to the cooler economic dynamic, the lower long-term inflation expectation, and the market expectation regarding interest rate developments, the forward interest rate curves of the US Treasuries and German Bunds continued to be inverse. The yields on 10-year US Treasuries and German Bonds were highly volatile throughout the course of the year due to the inflation trend, central bank policies, and fantasies of interest rate decreases, and stood at 3.88% and 2.02% respectively as at December 31, 2023.

Blue chip companies in the eurozone and the US developed very well in 2023. As part of this, the DAX reached 17,003 points on December 14, 2023, a new record high at that time. Market participants began to incorporate the interest rate decreases already expected toward the end of the year into their pricing for the first half of 2024, which was a positive boost for the valuation of the stock markets. The boom of artificial intelligence (AI), triggered by the launch of ChatGPT, additionally ensured exceptional economic developments for many technology securities. However, due to the persistently high level of uncertainty on the capital market, stocks with low liquidity and low market capitalization in particular suffered further valuation discounts, resulting in a heterogeneous performance in the German share indices.

Despite the numerous influencing factors, some of them negative, the global economy grew in the 2023 fiscal year. Based on the data provided in the World Economic Outlook Updates (WEO Update) from the International Monetary Fund (IMF) in January 2024, the increase was 3.1% year-over-year.

ECONOMIC GROWTH IN 2023 VERSUS 2022 (FOR SELECTED COUNTRIES AND THE WORLD)



Source: IWF, World Economic Outlook Update, January 2024.

According to the IMF, the gross domestic product (GDP) in the eurozone grew by 0.5% in 2023. In Germany, on the other hand, GDP growth decreased by 0.3% compared with 2022. Countries outside the eurozone largely recorded an increase in economic output in 2023. For the UK, the IMF estimated GDP growth of 0.5%. According to IMF data, the United States recorded a GDP increase of 2.5% in the 2023 fiscal year. Mexico's economic output also improved according to the IMF, with GDP growth of 3.4%.

Countries in Asia reported consistently positive growth rates during the fiscal year, too, according to the IMF. GDP for the Association of Southeast Asian Nations (ASEAN), for example, increased by 4.2% in 2023. The IMF calculated a year-over-year GDP increase of 1.9% for Japan and its data also shows India's economy having significant grown of 6.7%. The IMF's data also shows that China achieved GDP growth of 5.2% in the 2023 fiscal year. South Korea increased its GDP by 1.4% compared to the previous year.

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 94.7% in fiscal 2023 (previous year: 94.8%). The share of sales not attributable to OEM vehicle manufacturers was therefore 5.3% in the fiscal year 2023 (previous year: 5.2%). This share includes spare parts business involving carmakers and independent retailers as well as business involving two-wheelers.

Vitesco Technologies' biggest sales region in fiscal 2023 was Europe, which accounted for 45.5% of sales, followed by Asia at 29.5% and North America at 23.5%.

Development of new passenger car registrations

Despite the sustained geopolitical conflicts and the additional interest rate hikes by leading central banks, there were various factors that led to the markets' recovery in 2023. Regionally, a very different picture of new vehicle registrations emerged in 2023. In the European car market, according to provisional data by the German Association of the Automotive Industry (VDA), new registrations increased in the European Union by 13.9%, and in Germany by roughly 7% In the US, light vehicle sales (passenger cars and light trucks) in 2023 increased by 12.4% compared to the previous year.

In the Chinese market, the VDA is assuming a 11.0% increase in new passenger vehicle registrations based on its preliminary data for 2023. Japan developed positively again after weak years, new passenger vehicle registrations increased by 15.8% according to the VDA's provisional data. The Indian passenger vehicle market grew by 8.1% year-over-year.

Developments in the production of passenger cars and light commercial vehicles

Based on preliminary figures, the further relaxation of the global supply chain and semiconductor situations resulted in a recovery of the global production of passenger cars and light commercial vehicles with a weight of six metric tons or less. At 90.1 million units and a 9.4% increase year-over-year, movement was at a significantly higher level than it was in 2022.

There were significant regional differences in this trend. In China, there was an overall recovery in production in the fiscal year 2023, with vehicle production managing to grow by about 9.9%. Vehicle production in North America rise by 9.2%, a rate similar to China.

In Europe, the recovery affected vehicle production more strongly, with a rise of 11.7%.

CHANGE IN VEHICLE PRODUCTION IN 2023 (VERSUS 2022)

Percentage change on 2022	Europe	North America	China	Worldwide
Vehicle production	11.7%	9.2%	9.9%	9.4%

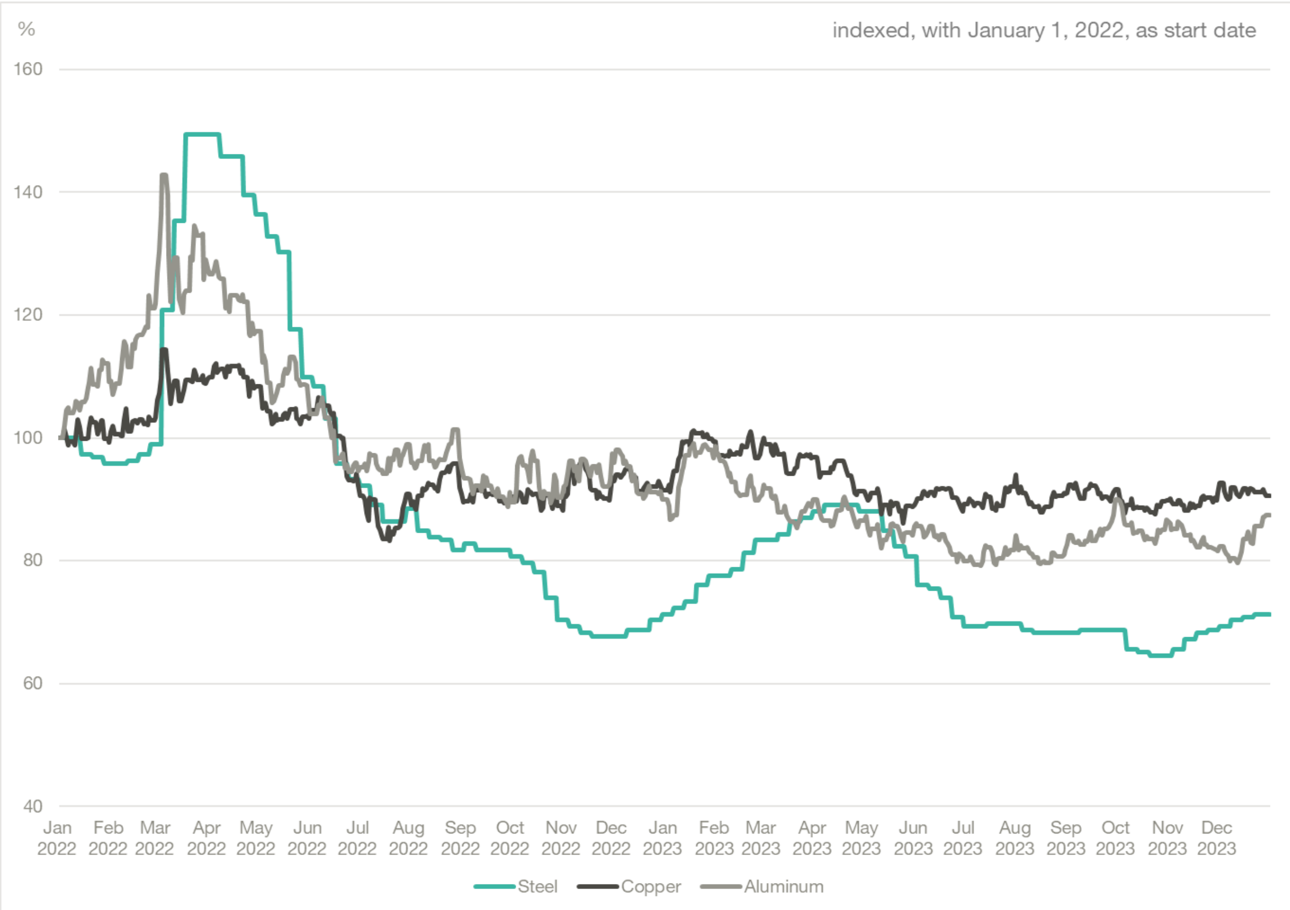
Sources:
Vehicle production: S&P Global Mobility, Light Vehicle Production Forecast, January 2024.
Preliminary figures and internal estimates.

DEVELOPMENT OF COMMODITY MARKETS

After 2022, a year that was characterized by risen demand for commodities in combination with continued global shortages in supply chains as well as extreme increases in energy costs, the commodity prices tended to relent due to gradually improved availability in fiscal year 2023 2023.

The most important commodities 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 fell by about 23% in 2023 compared to the annual average for 2022. Aluminum, denominated in US dollars, was just under 17% cheaper on average during the fiscal year compared with its annual mean in 2022. The average annual price for copper on a US dollar basis in 2023 also decreased by about 5% from its average rate during 2022.

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 developed varyingly in the 2023 fiscal year, though only moderately compared to the price rises for steel, copper, and aluminum. The average annual prices for silver and gold increased by almost 5% each, while the average annual price for platinum fell by almost 2% in 2023. Palladium saw a strong 38% drop in its price from the previous year, based on its average value in 2023.

EARNINGS, FINANCES, AND ASSETS

〉Sales up by 1.8% to €9.2 billion
〉When adjusted for changes in the scope of consolidation and exchange rate effects, sales increased by 4.4%
〉Basic earnings per share at –€2.41

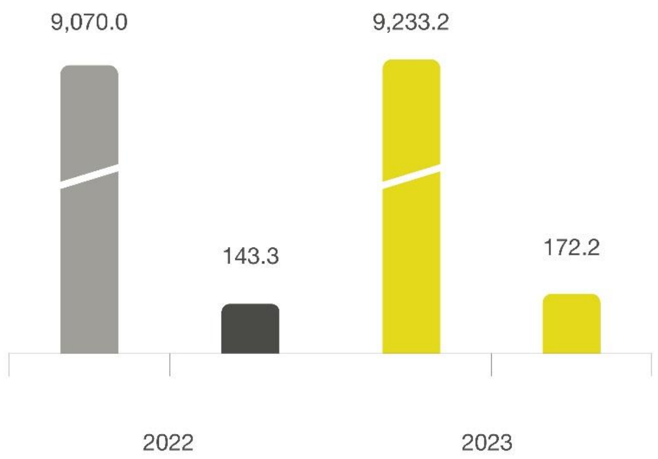
The Vitesco Technologies concluded the fiscal year 2023 successfully in a difficult market environment. The earnings of the Vitesco Technologies Group continued to develop positively during the past fiscal year.

Sales increased to €9.2 billion year-over-year (previous year: €9.1 billion), an increase of 1.8%. Adjusted for changes in the scope of consolidation and in exchange rates, sales increased by 4.4%.

Adjusted operating result (adjusted EBIT) was up €115.6 million at €341.1 million (previous year: €225.5 million), reaching an adjusted EBIT margin of 3.7% (previous year: 2.5%).

Free cash flow decreased by €38.3 million to €84.9 million (previous year: €123.2 million).

Sales/EBIT (€ million)



Free cash flow (€ million)

REORGANIZATION

Starting in the fiscal year 2023, Vitesco Technologies significantly increased its focus on the electrification business. The Vitesco Technologies Group’s previous four Divisions – Electronic Controls, Electrification Technology, Sensing & Actuation, and Contract Manufacturing – have been merged into two newly organized units: the Powertrain Solutions Division and the Electrification Solutions Division. Below the Divisions, there are clearly allocated business units. This also applies to the relevant central functions, which were relocated from the previous Business Units to the Divisions. In this context, we have adjusted the allocation of our research and development expenses to the respective Divisions according to the origination principle.

The benefit of the new organizational structure is greater centralization, ensuring an increased ability to respond to market changes. It also makes more effective use of existing management capabilities and significantly increases transparency, especially in relation to the progress of transformation in Powertrain Solutions and the growth of electrification business. With this structural adjustment, Vitesco Technologies is further sharpening its strategic focus on the electrification propulsion to operate even more effectively, efficiently, and flexibly in the market for sustainable drive technologies.

EARNINGS

〉Sales up by 1.8% to €9.2 billion
〉When adjusted for changes in the scope of consolidation and exchange rate effects, sales increased by 4.4%
〉Adjusted operating result (adjusted EBIT) up at 3.7% of adjusted sales

Vitesco Technologies Group in € million	**2023**	2022	Δ in %
Sales	9,233.2	9,070.0	1.8
EBITDA	748.1	703.3	6.4
As % of sales	8.1	7.8	
EBIT	172.2	143.3	20.2
As % of sales	1.9	1.6	
Research and development expenses (net)	679.6	660.4	2.9
As % of sales	7.4	7.3	
Depreciation and amortization[1]	575.9	560.0	2.8
Of which impairment[2]	76.6	15.3	400.7
Operating assets as at December 31	2,847.4	2,811.0	1.3
Operating assets (average)	2,848.8	2,741.2	3.9
ROCE as %	6.0	5.2	
Capital expenditure[3]	536.0	492.7	8.8
As % of sales	5.8	5.4	
Number of employees[4] as at December 31	35,528	38,043	–6.6
Adjusted sales[5]	9,233.2	8,984.9	2.8
Adjusted operating result (adjusted EBIT)[6]	341.1	225.5	51.3
As % of adjusted sales	3.7	2.5	

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 topics.

Sales

Consolidated sales increased by €163.2 million or 1.8% year-over-year in the 2023 fiscal year to €9,233.2 million (previous year: €9,070.0 million). When adjusted for changes in the scope of consolidation and exchange rate effects, sales increased by 4.4%. While the sales in the Powertrain Solutions Division developed in a downward direction toward the end of the year due to sales of individual business units and the expected decline in contract manufacturing for Continental, the Electrification Solutions Division was able to raise its sales significantly year-over-year.

The regional distribution of sales in the 2023 fiscal year was as follows:

Sales by region in %	**2023**	2022
Germany	19.5	18.2
Europe excluding Germany	26.0	26.9
North America	23.5	26.0
Asia	29.5	27.6
Other countries	1.5	1.3

Increase in adjusted operating result (adjusted EBIT)

Adjusted operating result (adjusted EBIT) for the Vitesco Technologies Group in the 2023 fiscal year increased by €115.6 million or 51.3% year-over-year to €341.1 million (previous year: €225.5 million), corresponding to 3.7% (previous year: 2.5%) of adjusted sales.

Increase in operating result (EBIT)

Operating result (EBIT) increased by €28.9 million or 20.2% year-over-year in 2023 to €172.2 million (previous year: €143.3 million). The return on sales increased to 1.9% (previous year: 1.6%). This is mainly attributable to the improvement of the gross margin. It is contrasted by the expenses in connection with the disposal of business units as well as €49.9 million impairment of the assets held for sale (previous year: –).

The ROCE was 6.0% (previous year: 5.2%).

Special topics in 2023

Due to indications of possible impairment and other key assumptions for determining the value in use of a cash-generating unit, such as free cash flow, the discount rate, the discount rate’s parameters, and sustainable growth rates, goodwill in a unit in the Powertrain Solutions Division was impaired by €16.7 million.

Impairment of property, plant, and equipment gave rise to expenses of €58.1 million (Powertrain Solutions €53.8 million, Electrification Solutions €4.3 million). This was mainly due to €49.9 million impairment of assets held for sale in the Powertrain Solutions Division.

The reversal of restructuring provisions that were no longer needed resulted in income totaling €24.4 million (Powertrain Solutions €21.5 million, Electrification Solutions €2.9 million).

The restructuring-related expenses produced income totaling €2.2 million in the Powertrain Solutions Division.

Negative special topics resulted from severance payments at a total of €9.4 million (Powertrain Solutions €4.8 million, Electrification Solutions €4.5 million, Holding €0.1 million).

The sale of the Catalytic Converters and Exhaust Filters as well as two companies associated with the Powertrain Solutions Division produced a total expense of €52.9 million.

The Vitesco Technologies Group incurred further expenses totaling €13.6 million (Powertrain Solutions €11.9 million, Electrification Solutions €1.7 million) in connection with the carve-out from Continental AG.

The Vitesco Technologies Group incurred expenses of €24,7 million in its Holding as it set further funds aside for obligations associated with emissions issues.

There was a further special topic of €4.6 million from expenses in connection with the sales of business units and companies in the Powertrain Solutions Division.

Furthermore, there were expenses connected to the integration into Schaeffler of an amount of €15.4 million at the Holding.

The Vitesco Technologies Group incurred total expenditure from special topics in the 2023 fiscal year of €168.8 million. Of this amount, €121.0 million was attributable to Powertrain Solutions, €7.6 million to Electrification Solutions, and €40.2 million to the Holding.

Special topics in 2022

Impairment of property, plant, and equipment gave rise to total expenses of €14.5 million (Powertrain Solutions €3.6 million, Electrification Solutions €10.9 million).

Recognizing restructuring provisions and reversing restructuring provisions that were no longer needed produced a total expense of €7.8 million (Powertrain Solutions: income of €22.9 million, Electrification Solutions: expense of €30.7 million).

Restructuring-related expenses led to expenditure totaling €8.1 million in the Powertrain Solutions Division.

There were negative special topics for severance payments totaling €6.2 million (Powertrain Solutions €1.7 million, Electrification Solutions €4.5 million).

The sale of Vitesco Technologies Delavan LLC, Delavan, Wisconsin, US generated income totaling €3.3 million (Powertrain Solutions €2.1 million, Holding €1.2 million). Additionally, the planned sale of Vitesco Tecnologia Brasil Automotiva Ltda., Salto, Brazil resulted in an expense of €4.1 million for the Powertrain Solutions Division.

The Vitesco Technologies Group incurred further expenses totaling €16.8 million (Powertrain Solutions €7.4 million, Electrification Solutions €9.4 million) in connection with the carve-out from Continental AG and the IPO.

The Vitesco Technologies Group incurred expenses of €24.2 million in its Holding as it set further funds aside for obligations associated with emissions issues.

A further special topic was incurred through expenditure to prepare for the sale of the Catalytic Converters and Exhaust Filters business unit in the Powertrain Solutions Division at an amount of €1.2 million.

The Vitesco Technologies Group incurred total expenditure from special topics in fiscal year 2022 of €79.6 million. Of this amount, €1.1 million was attributable to the Powertrain Solutions Division, €55.5 million to the Electrification Solutions Division, and €23.0 million to the Holding.

Procurement

The procurement of production material in the fiscal year 2023, especially semiconductors, was burdened by sharply increased purchase prices which were only able to be offset selectively with lower commodity prices. The procurement of non-production materials was influenced by lower energy costs, which however still remained at a high level when viewed as a five-year average. The logistics costs in the fiscal year 2023 decreased from 2022 and reached a stable level. Vitesco Technologies managed to pass on to customers a significant portion of the increased expenditure on production material in the fiscal year 2023.

Reconciliation of EBIT and net income

€ million	**2023**	2022	∆ in %
Powertrain Solutions	343.6	343.1	0.1
Electrification Solutions	–105.8	–149.4	29.2
Other/Holding/Consolidation	–65.6	–50.4	–30.2
EBIT	**172.2**	**143.3**	20.2
Financial result	–26.4	–45.3	41.7
Earnings before income taxes	**145.8**	**98.0**	48.8
Income tax expense	–242.2	–74.4	–225.5
Net income	**–96.4**	**23.6**	–508.5
Basic earnings per share in €	–2.41	0.59	
Diluted earnings per share in €	–2.41	0.59	

RECONCILIATION OF SALES AND ADJUSTED SALES AND OF EBITDA AND ADJUSTED OPERATING RESULT (ADJUSTED EBIT) IN 2023

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding / Consolidation	Vitesco Technologies Group
Sales	**6,118.8**	**3,162.3**	**–47.9**	**9,233.2**
Changes in the scope of consolidation[1]	–	–	–	–
Adjusted sales	**6,118.8**	**3,162.3**	**–47.9**	**9,233.2**
EBITDA	**720.0**	**93.4**	**–65.3**	**748.1**
Depreciation and amortization[2]	–376.4	–199.2	–0.3	–575.9
EBIT	**343.6**	**–105.8**	**–65.6**	**172.2**
Amortization of intangible assets from purchase price allocation (PPA)	–	0.1	–	0.1
Changes in the scope of consolidation[1]	–	–	–	–
Special topics				
Impairment on goodwill	16.7	–	–	16.7
Impairment[3]	53.8	4.3	–	58.1
Restructuring[4]	–21.5	–2.9	–	–24.4
Restructuring-related expenses	–2.2	–	–	–2.2
Severance payments	4.8	4.5	0.1	9.4
Gains and losses from disposals of companies and business operations	52.9	–	–	52.9
Spin-off costs	11.9	1.7	–	13.6
Expenses from obligations associated with emissions-related issues	–	–	24.7	24.7
Transaction costs for disposal of business operations	4.6	–	–	4.6
Expenses connected to the integration into Schaeffler	–	–	15.4	15.4
Adjusted operating result (adjusted EBIT)	**464.6**	**–98.1**	**–25.4**	**341.1**

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 fiscal year and for disposals in the year-over-year comparison period.
2) Excluding impairment on financial investments.
3) Impairment also includes any required reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments. It includes impairment of €49.9 million on assets held for sale in the Powertrain Solutions Division.
4) This includes impairment of €2.0 million on property, plant and equipment in the Electrification Solutions Division.

RECONCILIATION OF SALES AND ADJUSTED SALES AND OF EBITDA AND ADJUSTED OPERATING RESULT (ADJUSTED EBIT) IN 2022

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding / Consolidation	Vitesco Technologies Group
Sales	**6,372.3**	**2,765.8**	**–68.1**	**9,070.0**
Changes in the scope of consolidation[1]	–85.0	–0.2	0.1	–85.1
Adjusted sales	**6,287.3**	**2,765.6**	**–68.0**	**8,984.9**
EBITDA	**710.3**	**43.3**	**–50.3**	**703.3**
Depreciation and amortization[2]	–367.2	–192.7	–0.1	–560.0
EBIT	**343.1**	**–149.4**	**–50.4**	**143.3**
Amortization of intangible assets from purchase price allocation (PPA)	–	0.4	–	0.4
Changes in the scope of consolidation[1]	1.1	0.4	0.7	2.2
Special topics				
Impairment on goodwill	–	–	–	–
Impairment[3]	3.6	10.9	–	14.5
Restructuring[4]	–22.9	30.7	–	7.8
Restructuring-related expenses	8.1	–	–	8.1
Severance payments	1.7	4.5	–	6.2
Gains and losses from disposals of companies and business operations	2.0	–	–1.2	0.8
Spin-off costs	7.4	9.4	–	16.8
Expenses from obligations associated with emissions-related issues	–	–	24.2	24.2
Transaction costs for disposal of business operations	1.2	–	–	1.2
Expenses connected to the integration into Schaeffler	–	–	–	–
Adjusted operating result (adjusted EBIT)	**345.3**	**–93.1**	**–26.7**	**225.5**

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 fiscal year and for disposals in the year-over-year comparison period.
2) Excluding impairment on financial investments.
3) Impairment also includes any required reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.
4) This includes impairment of €0.7 million on property, plant and equipment in the Electrification Solutions Division.

Research and development

Research and development expenses (net) increased by €19.2 million or 2.9% year-on-year to €679.6 million (previous year: €660.4 million), representing 7.4% of sales (previous year: 7.3%).

Expenses connected to the initial contracting for developments in the original equipment business were capitalized within in the Vitesco Technologies Group. They were capitalized as of the nomination as supplier and when a specific release stage had been reached. Capitalization ended with the release for unlimited series 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 were amortized on a straight line basis over a useful life of three to five years and recognized in the cost of sales. In the opinion of the Vitesco Technologies Group, 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 the fiscal year 2023 by the Vitesco Technologies Group, €162.7 million (previous year: €75.7 million) qualified for recognition as an asset.

This resulted in a capitalization ratio for the Vitesco Technologies Group of 23.9% (previous year: 11.5%).

Depreciation, amortization, and impairment

Depreciation increased by €15.9 million to €575.9 million (previous year: €560.0 million), equivalent to 6.2% of sales (previous year: 6.2%). The impairment in this figure in fiscal 2023 consisted of impairment losses totaling €76.6 million (previous year: €15.3 million), which were mainly from impairment of assets held for sale in an amount of €49.9 million (previous year: –) and goodwill impairment of €16.7 million (previous year: –).

Financial result

Finance income in the 2023 fiscal year improved by €18.9 million year-over-year to –€26.4 million (previous year: –€45.3 million). This was 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 the 2023 fiscal year increased by €8.0 million year-over-year to €36.4 million (previous year: €44.4 million). The income was mainly the result of interest on short-term investments and on VAT reimbursements in Mexico. Expected income from long-term employee benefits and from plan assets totaled €10.9 million in this period (previous year: €5.4 million). This did not include the interest income from the plan assets of the pension funds.

Interest expenditure in the 2023 fiscal year totaled €57.5 million and was thus €15.7 million lower than the previous year's figure of €41.8 million. The interest expense for long-term employee benefits totaled €26.8 million in this period (previous year: €16.3 million). This did not include the interest expense for prospective entitlements from the pension funds. The current interest expenditure – resulting mainly from bank borrowings, capital-market transactions, and other debt instruments – fell by €12.1 million to €21.7 million (previous year: €33.8 million). Interest expenditure for lease liabilities ran up to €4.0 million (previous year: €4.2 million). The accumulation of interest on other non-current liabilities that existed also produced an expense of €5.0 million (previous year: income of €12.5 million).

Effects from currency translation during the 2023 fiscal year resulted in expenses of €4.2 million (previous year: €53.5 million). Changes in the fair value of derivatives and other measurement impacts resulted in an expense of €1.1 million (previous year: income of €5.6 million).

Income tax expense

Income taxes in the 2023 fiscal year produced a tax expense of €242.2 million (previous year: €74.4 million). The tax ratio was 166.2% (previous year: 75.9%).

The tax ratio was substantially impacted by non-cash allowances on deferred tax assets totaling €165.1 million (previous year: €62.1 million), which includes income of €3.8 million (previous year: €15.6 million) for previous years. The divestments of companies in Italy and Brazil and of the Catalytic Converters and Exhaust Filters business unit, which occurred in the 2023 fiscal year, had a negative effect of €30.9 million. Furthermore, as in the previous year, the tax ratio was negatively affected by non-deductible expenses and non-imputable foreign withholding taxes. As in the previous year, foreign tax rate differences, incentives, and tax holidays had positive effects in the 2023 fiscal year.

Net income

Net income deteriorated mainly as a result of the increased tax expenses in the 2023 fiscal year, falling by €120.0 million to –€96.4 million (previous year: €23.6 million). Basic earnings per share amounted to –€2.41 (previous year: €0.59), the same amount as diluted earnings per share.

Employees

Compared with 2022, the number of employees at the Vitesco Technologies Group fell by 2,515 to 35,528 (previous year: 38,043).

The number of employees in the Powertrain Solutions Division reduced by 3,200. This was mainly due to the sale of business units and companies as well as the relocation of production capacity for contract manufacturing for Continental. By contrast, the number of employees in the Electrification Solutions Division increased by 675 year-over-year, mainly in research and development as well as production. The number of employees in holding company functions increased by 10.

Employees by region in %	**2023**	2022
Germany	24.8	25.1
Europe excluding Germany	29.7	29.1
North America	20.8	21.0
Asia	24.7	24.5
Other countries	0.0	0.3

FINANCES

〉Free cash flow at €84.9 million
〉Cash outflow for investing activities at €544.1 million
〉Net liquidity at €337.0 million

Reconciliation of cash flow

EBIT in the 2023 fiscal year increased by €28.9 million year-over-year to €172.2 million (previous year: €143.3 million).

Interest payments increased by €4.3 million to €18.3 million (previous year: €14.0 million). The increase was primarily the result of interest payments for current loans and credit commitments for the Group's treasury management. The cash inflow from interest decreased mainly as a result of the lower interest income from VAT reimbursements in Mexico, going down by €14.0 million to €24.4 million (previous year: €38.4 million).

Payments for income taxes increased by €34.8 million to €141.1 million (previous year: €106.3 million).

The increase in working capital through profit or loss led to a cash outflow of €157.8 million (previous year: €154.8 million). This resulted from the buildup of inventories, mainly of commodities and semifinished goods, by €53.0 million (previous year: increase of €32.7 million) and an increase in operating receivables at an amount of €22.0 million (previous year: increase of €178.3 million). A significant reduction of liabilities toward the Continental Group additionally led to an €82.8 million decrease in operating liabilities (previous year: increase of €56.2 million).

The cash inflow from business activities in the 2023 fiscal year increased by €36.9 million year-over-year to €629.0 million (previous year: €592.1 million), corresponding to 6.8% of sales (previous year: 6.5%).

The cash outflow for investing activities amounted to €544.1 million (previous year: €468.9 million). Capital expenditure on property, plant, and equipment and software, driven by the expansion of electrification business, increased – especially in Mexico and the US – by €53.2 million to €499.8 million (previous year: €446.6 million) and capital expenditure on development projects being capitalized by €86.9 million to €162.7 million (previous year: €75.8 million). The net amount from the acquisition and disposal of companies and business operations and sale of property, plant, and equipment resulted in a total cash inflow of €112.0 million in the 2023 fiscal year (previous year: €56.0 million).

Free cash flow in the 2023 fiscal year came to €84.9 million (previous year: €123.2 million), a reduction of €38.3 million.

The cash inflow from financing activities increased by €182.1 million year-over-year to €234.4 million (previous year: €52.3 million). This includes utilized loans of €295.0 million.

Financing and indebtedness

As at the end of the 2023 fiscal year, gross debt amounted to €726.6 million (previous year: €447.7 million), up €278.9 million on the previous year's level. Alongside the €200.0 million bond-like loan against a promissory note (German:

“Schuldscheindarlehen”) issued in 2022, the bank loans and overdrafts as at December 31, 2023, amount to €295.0 million (previous year: €0.0 million).

The Vitesco Technologies Group had access to a revolving, syndicated credit line issued in fiscal year 2022 with a volume of €800.0 million. The credit agreement had an initial term of five years, with options to extend the term by a maximum of two years. The revolving credit facility was extended during the 2023 fiscal year by a further year, taking it through to 2028 by successfully exercising the first extension option. The credit line had not been utilized as at the end of the 2023 fiscal year. Additionally, there are fixed credit agreements with the European Investment Bank (EIB) for €250.0 million and KfW IPEX Bank for €45.0 million. Both credit agreements were fully utilized during the 2023 fiscal year. Furthermore, the Vitesco Technologies Group issued bond-like loans against a promissory note for €200.0 million with varying maturities and interest rates in fiscal year 2022. All aforementioned credit agreements are secured with a guarantor concept consisting of various companies within the Vitesco Technologies Group, including Vitesco Technologies Group AG, and each include specific obligations, and termination rights. The aforementioned credit agreements of the Vitesco Technologies Group are used for the Company’s general financing purposes.

Short-term indebtedness at the end of the 2023 fiscal year had decreased by €0.7 million to €54.2 million (previous year: €54.9 million) and mainly consist of current lease liabilities.

Vitesco Technologies had stable net liquidity as at December 31, 2023, at €337.0 million (previous year: €333.4 million). The gearing ratio changed slightly from the previous year and is at –11.8% (previous year: –10.9%).

As at December 31, 2023, the Vitesco Technologies Group had liquidity reserves totaling €1,863.6 million (previous year: €1,831.1 million), of which €1,063.6 million (previous year: €781.1 million) consisted of cash and cash equivalents, and committed, unutilized credit lines of €800.0 million (previous year: €1,050.0 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, 2023, unrestricted cash and cash equivalents totaled €1,027.0 million (previous year: €750.1 million).

CALCULATION OF NET LIQUIDITY

€ million	**December 31, 2023**	**December 31, 2022**
Long-term indebtedness	–672.4	–392.8
Short-term indebtedness	–54.2	–54.9
Cash and cash equivalents	1,063.6	781.1
Net liquidity	**337.0**	**333.4**

ASSETS

〉Equity at €2,851.3 million
〉Equity ratio at 37.6%
〉Gearing ratio at –11.8%

Total assets

Total assets as at December 31, 2023, had decreased by €20.6 million year-over-year to €7,583.1 million (previous year: €7,603.7 million).

Non-current assets

Non-current assets fell by €41.9 million year-over-year to €3,767.9 million (previous year: €3,809.8 million). As a result of the sale of business units and companies as well as exchange rate changes, the property, plant, and equipment decreased by €134.9 million to €2,279.7 million (previous year: €2,414.6 million). Due to exchange rates and impairment of €16.7 million (previous year: –), goodwill decreased by €29.8 million to €786.3 million (previous year: €816.1 million). Through the expansion of electrification business and the associated development activities, the other intangible assets increased by €124.3 million to €335.7 million (previous year: €211.4 million).

Capital expenditure (additions)

As part of the expansion of electrification business, the capitalization of development expenditure pursuant to IAS 38 in particular resulted in an addition for intangible assets of €165.6 million (previous year: €83.6 million). The expansion and replacement of production capacity, with a particular focus on the Czech Republic, Hungary, and Romania and the US and Mexico, resulted in an increase in capital expenditure on property, plant, and equipment to €497.0 million (previous year: €438.8 million). There was also significant capital expenditure on the enlargement of production capacity in Asia, with South Korea being a focus for this. The additions of leasing rights of use amounted to €36.2 million (previous year: €46.0 million).

Current assets

Current assets increased by €21.3 million to €3,815.2 million (previous year: €3,793.9 million). By taking on long-term indebtedness, the cash and cash equivalents increased by €282.5 million to €1,063.6 million (previous year: €781.1 million). Foreign-exchange rates and the sale of business units and companies caused the trade accounts receivable to decrease by €85.4 million to €1,546.0 million (previous year: €1,631.4 million). The decline in tax reimbursement entitlements, mainly resulting from VAT receivable from the purchase of production materials in Mexico, decreased the other current assets by €68.7 million to €252.2 million (previous year: €320.9 million). The sale of the Catalytic Converters and Exhaust Filters business unit reduced the assets held for sale by €121.7 million to €0.1 million (previous year: €121.8 million).

Equity

At €2,851.3 million as at December 31, 2023 (previous year: €3,061.7 million), equity was €210.4 million lower than it was in the previous year.

The reserves recognized in equity fell, driven by foreign-exchange effects and interest rate adjustments for long-term employee benefits throughout the year, going down by €129.0 million to €106.4 million (previous year: €235.4 million). The gearing ratio changed from –10.9% to –11.8% and the equity ratio fell to 37.6% (previous year: 40.3%).

Non-current liabilities

Non-current liabilities, including provisions, increased by €289.9 million to €1,588.0 million (previous year: €1,298.1 million). By taking on long-term loans, the long-term indebtedness increased by €279.6 million to €672.4 million (previous year: €392.8 million). The remeasurement of pension obligations in particular increased long-term employee benefits by €99.9 million to €624.2 million (previous year: €524.3 million). Deferred tax liabilities also increased by €99.3 million to €140.5 million (previous year: €41.2 million). The sale of the Italian company and the associated reclassification to assets held for sale as well as the reclassification to current reduced the non-current provisions for other risks and obligations by €106.1 million to €137.8 million (previous year: €243.9 million). The non-current contract liabilities, which mainly exist with the Continental Group, shrank through the reclassification to current contract liabilities, falling by €87.3 million to €2.1 million (previous year: €89.4 million).

Current liabilities

Current liabilities, including provisions, reduced by €100.1 million to €3,143.8 million (previous year: €3,243.9 million). In particular, the contractually agreed reduction of contract manufacturing with the Continental Group resulted in a significant decrease in trade accounts payable, coming down by €164.8 million to €1,838.6 million (previous year: €2,003.4 million). The sale of the Catalytic Converters and Exhaust Filters business unit led to a decrease in the liabilities held for sale by €78.0 million to €0.0 million (previous year: €78.0 million). The increase in the provision for bonuses to be granted resulted in an increase in the short-term employee benefits by €42.5 million to €316.6 million (previous year: €274.1 million). The reclassification away from the non-current category increased the current contract liabilities by €78.5 million to €132.0 million (previous year: €53.5 million).

Operating assets

Operating assets as at December 31, 2023, increased by €36.4 million year-over-year to €2,847.4 million (previous year: €2,811.0 million).

Working capital was up €85.4 million at €592.3 million (previous year: €506.9 million). This development was due to the €164.8 million decrease in operating liabilities, mainly with the Continental Group, to €1,838.6 million (previous year: €2,003.4 million), a €77.3 million increase in operating receivables to €1,605.8 million (previous year: €1,683.1 million), and a €2.1 million increase in inventories to €825.1 million (previous year: €827.2 million).

Non-current operating assets were recognized at €3,468.2 million (previous year: €3,498.9 million), which is €30.7 million lower than in the previous year. Goodwill decreased due to exchange rates and impairment of €16.7 million (previous year: –), falling by €29.8 million to €786.3 million (previous year: €816.1 million). Property, plant and equipment decreased by €134.9 million to €2,279.7 million (previous year: €2,414.6 million). Other intangible assets climbed by €124.3 million to €335.7 million (previous year: €211.4 million).

Changes in the scope of consolidation led, at a Group level, to disposals of operating assets of €107.3 million, bringing them to €0.1 million (previous year: €107.4 million) and to disposals of operating liabilities of €31.7 million, bringing them to €0.0 million (previous year: €31.7 million).

Exchange rate effects decreased the Vitesco Group’s total operating assets by €73.9 million (previous year: increase of €26.9 million).

Average operating assets increased by €107.6 million year-over-year to €2,848.8 million (previous year: €2,741.2 million).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets, € million	**December 31, 2023**	**December 31, 2022**
Goodwill	786.3	816.1
Other intangible assets	335.7	211.4
Property, plant and equipment	2,279.7	2,414.6
Investments in equity-accounted investees	20.2	18.2
Miscellaneous non-current assets	346.0	349.5
Non-current assets	**3,767.9**	**3,809.8**
Inventories	825.1	827.2
Trade accounts receivable	1,546.0	1,631.4
Miscellaneous current assets	380.4	432.4
Cash and cash equivalents	1,063.6	781.1
Assets held for sale	0.1	121.8
Current assets	**3,815.2**	**3,793.9**
Total assets	**7,583.1**	**7,603.7**

Equity and liabilities, € million	December 31, 2023	December 31, 2022
Equity	**2,851.3**	**3,061.7**
Non-current liabilities	**1,588.0**	**1,298.1**
Trade accounts payable	1,838.6	2,003.4
Other current liabilities	1,305.2	1,162.5
Liabilities held for sale	–	78.0
Current liabilities	**3,143.8**	**3,243.9**
Total equity and liabilities	**7,583.1**	**7,603.7**
Net liquidity	**337.0**	**333.4**
Gearing ratio in %	**–11.8**	**–10.9**

RECONCILIATION OF OPERATING ASSETS IN 2023

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
Total assets	**3,311.1**	**2,725.6**	**1,546.4**	**7,583.1**
Cash and cash equivalents	–	–	1,063.6	1,063.6
Current and non-current derivative instruments, interest-bearing investments	–	–	29.9	29.9
Other financial assets	30.5	39.8	0.2	70.5
Less financial assets	**30.5**	**39.8**	**1,093.7**	**1,164.0**
Less other non-operating assets	**–56.1**	**–18.0**	**148.4**	**74.3**
Deferred tax assets	–	–	265.8	265.8
Income tax receivables	–	–	33.0	33.0
Less income tax assets	**–**	**–**	**298.8**	**298.8**
Segment assets	**3,336.7**	**2,703.8**	**5.5**	**6,046.0**
Total liabilities and provisions	**1,897.7**	**1,657.6**	**1,176.5**	**4,731.8**
Short-term and long-term indebtedness	–	–	726.6	726.6
Payable interest and further financial liabilities	–	–	10.2	10.2
Less financial liabilities	**–**	**–**	**736.8**	**736.8**
Deferred tax liabilities	–	–	140.5	140.5
Income tax payables	–	–	94.2	94.2
Less income tax liabilities	**–**	**–**	**234.7**	**234.7**
Less other non-operating liabilities	**206.0**	**270.0**	**85.7**	**561.7**
Segment liabilities	**1,691.7**	**1,387.6**	**119.3**	**3,198.6**
Operating assets	**1,645.0**	**1,316.2**	**–113.8**	**2,847.4**

RECONCILIATION OF OPERATING ASSETS IN 2022

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
Total assets	**3,868.5**	**2,415.5**	**1,319.7**	**7,603.7**
Cash and cash equivalents	–	–	781.1	781.1
Current and non-current derivative instruments, interest-bearing investments	–	–	44.4	44.4
Other financial assets	23.2	44.0	0.3	67.5
Less financial assets	**23.2**	**44.0**	**825.8**	**893.0**
Less other non-operating assets	**–37.9**	**–2.9**	**198.3**	**157.5**
Deferred tax assets	–	–	271.8	271.8
Income tax receivables	–	–	14.9	14.9
Less income tax assets	**–**	**–**	**286.7**	**286.7**
Segment assets	**3,883.2**	**2,374.4**	**8.9**	**6,266.5**
Total liabilities and provisions	**2,376.7**	**1,433.4**	**731.9**	**4,542.0**
Short-term and long-term indebtedness	–	–	447.7	447.7
Payable interest and further financial liabilities	–	–	3.2	3.2
Less financial liabilities	**–**	**–**	**450.9**	**450.9**
Deferred tax liabilities	–	–	41.2	41.2
Income tax payables	–	–	72.8	72.8
Less income tax liabilities	**–**	**–**	**114.0**	**114.0**
Less other non-operating liabilities	**233.2**	**223.7**	**64.7**	**521.6**
Segment liabilities	**2,143.5**	**1,209.7**	**102.3**	**3,455.5**
Operating assets	**1,739.7**	**1,164.7**	**–93.4**	**2,811.0**

DEVELOPMENTS IN THE POWERTRAIN SOLUTIONS DIVISION

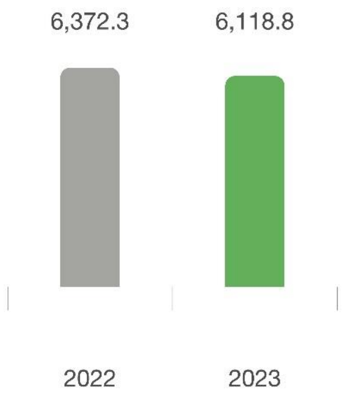
〉Sales down by 4.0%
〉Sales down by 1.4% when adjusted for changes in the scope of consolidation and exchange rate effects
〉Adjusted operating result (adjusted EBIT) up by 34.5%

Powertrain Solutions in € million	**2023**	2022	Δ in %
Sales	6,118.8	6,372.3	–4.0
EBITDA	720.0	710.3	1.4
As % of sales	11.8	11.1	
EBIT	343.6	343.1	0.1
As % of sales	5.6	5.4	
Research and development expenses (net)	401.9	316.9	26.8
As % of sales	6.6	5.0	
Depreciation and amortization[1]	376.4	367.2	2.5
Of which impairment[2]	70.3	3.6	1,852.8
Operating assets as at December 31	1,645.0	1,739.7	–5.4
Operating assets (average)	1,702.3	1,741.5	–2.3
ROCE in %	20.2	19.7	
Capital expenditure[3]	201.9	221.4	–8.8
As % of sales	3.3	3.5	
Number of employees[4] as at December 31	20,391	23,591	–13.6
Adjusted sales[5]	6,118.8	6,287.3	–2.7
Adjusted operating result (adjusted EBIT)[6]	464.6	345.3	34.5
As % of adjusted sales	7.6	5.5	

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 topics.

Sales

In the fiscal year 2023, the Powertrain Solutions Division generated sales revenue of €6,118.8 million (previous year: €6,372.3 million), a 4.0% decrease. When adjusted for changes in the scope of consolidation and exchange rate effects, sales decreased by 1.4%. The drop in sales is mainly the result of the planned decline in contract manufacturing for the Continental Group and the disposal of the Catalytic Converters and Exhaust Filters business unit.



Operating result (EBIT)

The Powertrain Solutions Division in the 2023 fiscal year recorded stable operating result (EBIT) of €343.6 million (previous year: €343.1 million) compared with the previous year. While ordinary business activities contributed positively to the developments, losses on the disposal of business units and companies in an amount of €52.9 million (previous year: € 2,0 million), impairment of assets held for sale in an amount of €49.9 million (previous year: –), and goodwill impairment of €16.7 million (previous year: –) were extraordinary influences on the operating result. The return on sales nevertheless improved to 5.6% (previous year: 5.4%).

For the Powertrain Solutions Division, the expenditure on special topics in the fiscal year 2023 totaled €121.0 million (previous year: €1.1 million). For further details, please refer to our comments about the special topics in 2023 and 2022 in the Earnings chapter.

The ROCE was 20.2% (previous year: 19.7%).

Increase in adjusted operating result (adjusted EBIT)

The adjusted operating result (adjusted EBIT) of the Powertrain Solutions Division improved in the fiscal year 2023 due to the good operating performance and increased year-over-year by €119.3 million, or 34.5%, to €464.6 million (previous year: €345.3 million), corresponding to 7.6% (previous year: 5.5%) of adjusted sales.

Research and development

The research and development expenses (net) increased year-over-year, driven by the change in the allocation process as a result of the reorganization and less customer reimbursement, climbing by €85.0 million, or 26.8%, to €401.9 million (previous year: €316.9 million), representing 6.6% of sales (previous year: 5.0%).

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment increased by €9.2 million compared to fiscal 2022 to reach €376.4 million (previous year: €367.2 million), corresponding to 6.2% of sales (previous year: 5.8%). In 2023, this included impairment of €49.9 million on assets held for sale (previous year: –) and goodwill impairment of €16.7 million (previous year: –).

Operating assets

The operating assets in the Powertrain Solutions Division as at December 31, 2023, decreased by €94.7 million year-over-year to €1,645.0 million (previous year: €1,739.7 million).

Working capital was up €159.6 million at €543.6 million (previous year: €384.0 million). Inventories developed downward by €25.2 million for an amount of €557.2 million (previous year: €582.4 million). Operating receivables fell by €104.7 million to €947.2 million (previous year: €1,051.9 million). The decline in contract manufacturing with Continental mainly resulted in a reduction of operating liabilities from €289.5 million to €960.8 million (previous year: €1,250.3 million).

Non-current operating assets were recognized at €1,742.1 million (previous year: €2,050.3 million), which is €308.2 million lower than in the previous year. Goodwill decreased by €25.4 million due to exchange rates and impairment of €16.7 million, coming to €534.3 million (previous year: €559.7 million). Property, plant and equipment, at €1,143.5 million, was €279.2 million less than the previous year's level of €1,422.7 million, which is mainly due to the disposal of business units and companies as well as the sale of property, plant and equipment to the Continental Group. Other intangible assets fell by €20.6 million to €23.0 million (previous year: €43.6 million).

Foreign-exchange effects decreased the total operating assets of the Powertrain Solutions Division by €48.3 million during the fiscal year 2023 (previous year: €15.8 million increase).

Average operating assets in the Powertrain Solutions Division in fiscal year fell by €39.2 million to €1,702.3 million (previous year: €1,741.5 million).

Capital expenditure (additions)

Additions to the Powertrain Solutions Division decreased by €19.5 million year-over-year to €201.9 million (previous year: €221.4 million). The capital expenditure ratio amounted to 3.3% (previous year: 3.5%).

Employees

The number of employees in the Powertrain Solutions Division fell by 3,200 to 20,391 (previous year: 23,591). This is mainly the result of the relocation of production capacity for contract manufacturing for the Continental Group and the disposal of business units and companies.

DEVELOPMENTS IN THE ELECTRIFICATION SOLUTIONS DIVISION

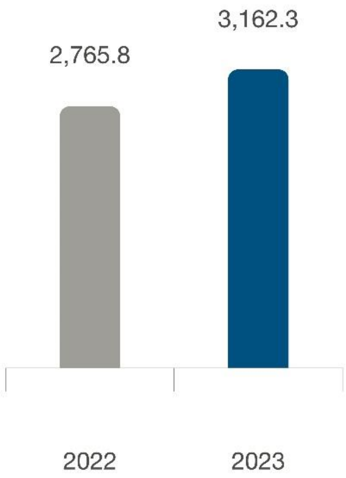
〉Sales up by 14.3%
〉Sales up by 16.8% when adjusted for changes in the scope of consolidation and exchange rate effects
〉Adjusted operating result (adjusted EBIT) down by 5.4%

Electrification Solutions in € million	**2023**	2022	Δ in %
Sales	3,162.3	2,765.8	14.3
EBITDA	93.4	43.3	115.7
As % of sales	3.0	1.6	
EBIT	–105.8	–149.4	29.2
As % of sales	–3.3	–5.4	
Research and development expenses (net)	277.7	343.5	–19.2
As % of sales	8.8	12.4	
Depreciationand amortization[1]	199.2	192.7	3.4
Of which impairment[2]	6.3	11.7	–46.2
Operating assets as at December 31	1,316.2	1,164.7	13.0
Operating assets (average)	1,243.2	1,080.4	15.1
ROCE in %	–8.5	–13.8	
Capital expenditure[3]	333.9	271.2	23.1
As % of sales	10.6	9.8	
Number of employees[4] as at December 31	15,071	14,396	4.7
Adjusted sales[5]	3,162.3	2,765.6	14.3
Adjusted operating result (adjusted EBIT)[6]	–98.1	–93.1	–5.4
As % of adjusted sales	–3.1	–3.4	

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 topics.

Sales

Due to further launches of production operations in the electrification business, sales in the Electrification Solutions Division increased by 14.3% to €3,162.3 million (previous year: €2,765.8 million). When adjusted for changes in the scope of consolidation and exchange rate effects, sales increased by 16.8%.



Increase in operating result (EBIT)

In the 2023 fiscal year, the Electrification Solutions Division recorded a year-over-year improvement in its operating result (EBIT) by €43.6 million to –€105.8 million (previous year: –€149.4 million). The reasons for this are better performance on overheads as well as the reversal of restructuring provisions that are no longer needed. The return on sales therefore reached –3.3% (previous year: –5.4%).

For the Electrification Solutions Division, special topics in the 2023 fiscal year produced total expenditure of €7.6 million (previous year: €55.5 million). For further details, please refer to our comments about the special topics in 2023 and 2022 in the Earnings chapter.

The ROCE was –8.5% (previous year: –13.8%).

Decrease of adjusted operating result (adjusted EBIT)

The adjusted operating result (adjusted EBIT) of the Electrification Solutions Division in the 2023 fiscal year decreased year-over-year by €5.0 million, or 5.4%, to –€98.1 million due to start-up costs for new projects (previous year: –€93.1 million). The adjusted EBIT margin improved and equated to –3.1% (previous year: –3.4%) of adjusted sales.

Research and development

Despite higher primary development costs, the research and development expenses (net) fell year-over-year mainly because of the changed allocation process as a result of the reorganization, increased reimbursements from customers, and greater capitalization of development expenses, decreased by €65.8 million, or 19.2%, to €277.7 million (previous year: €343.5 million), representing 8.8% of sales (previous year: 12.4%). In the 2023 fiscal year, the capitalization of development expenditure amounted to €162.7 million (previous year: €75.7 million).

Depreciation, amortization, and impairment

Depreciation, amortization, and impairment increased by €6.5 million compared to fiscal 2022 to reach €199.2 million (previous year: €192.7 million), corresponding to 6.3% of sales (previous year: 7.0%). The impairment in this figure in fiscal 2023 consisted of impairment losses of €6.3 million (previous year: €11.7 million).

Operating assets

The operating assets in the Electrification Solutions Division as at December 31, 2023, increased by €151.5 million year-over-year to €1,316.2 million (previous year: €1,164.7 million).

Working capital was down €77.5 million at €52.6 million (previous year: €130.1 million). Inventories, mainly semifinished and finished goods, increased from €23.2 million to €268.0 million (previous year: €244.8 million). Due to the increased sales as at the end of the reporting period, operating receivables increased by €27.8 million to €658.7 million (previous year: €630.9 million). Greater capital expenditure and the rise in sales resulted in a €128.5 million increase in operating liabilities in the same period to €874.1 million (previous year: €745.6 million).

Non-current operating assets were recognized at €1,725.5 million (previous year: €1,448.4 million), an increase of €277.1 million. Foreign-exchange rates caused goodwill to decrease by €4.4 million to €252.0 million (previous year: €256.4 million). Capital expenditure on the expansion of the electrification business increased property, plant and equipment by €144.1 million to €1,135.8 million (previous year: €991.7 million) other intangible assets – due to the capitalization of development expenses – by €144.8 million to €312.6 million (previous year: €167.8 million).

Foreign-exchange effects decreased the total operating assets of the Electrification Solutions Division by €26,0 million during the fiscal year 2023 (previous year: €11.1 million increase).

Average operating assets in the Electrification Solutions Division in fiscal year 2022 fell by €162.8 million to €1,243.2 million (previous year: €1,080.4 million).

Capital expenditure (additions)

Driven by capital expenditure on newly received contracts, the additions to the Electrification Solutions Division increased year-over-year by €62.7 million to €333.9 million (previous year: €271.2 million). The capital expenditure ratio was 10.6% (previous year: 9.8%).

Employees

The number of employees in the Electrification Solutions Division increased by 675 to 15,071 (previous year: 14,396). This resulted mainly from the needs associated with newly received development and production orders.

VITESCO TECHNOLOGIES GROUP AG – SHORT VERSION IN ACCORDANCE WITH HGB

BACKGROUND INFORMATION RELEVANT TO HGB

The management report of Vitesco Technologies Group AG and the Group management report are combined in accordance with HGB § 315(5) in conjunction with HGB § 298(2).

The annual financial statements of Vitesco Technologies Group AG, unlike the consolidated financial statements, are compiled according to the rules of the German Commercial Code (*Handelsgesetzbuch*, HGB) and Stock Corporation Act (*Aktiengesetz*, AktG), and not IFRS.

BUSINESS AND BUSINESS ENVIRONMENT

In addition, the following presentation of the parent company’s business performance, including its earnings, assets, and finances, provides a basis for understanding the proposal of the Executive Board and Supervisory Board for the distribution of retained earnings.

Vitesco Technologies Group AG is a holding company that exercises a governance role within the Vitesco Technologies Group. In the fiscal year 2023, there was an average of 11 people (previous year: 10) who were employed at Vitesco Technologies Group AG.

Vitesco Technologies Group AG holds direct or indirect interests in 33 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 division.

EARNINGS

Vitesco Technologies Group AG Income Statement per HGB

Vitesco Technologies Group AG Income Statement per HGB, € million	2023	2022
Sales	25.4	18.2
Cost of sales	–24.4	–17.6
Gross margin	**1.0**	**0.6**
General administrative costs	–37.0	–28.0
Other operating income	3.8	7.1
Other operating expenses	–15.6	–
Income from profit transfers	50.0	–
Other interest and similar income	31.1	12.3
Interest and similar expenses	–2.9	–7.7
Income tax expense	0.5	–0.5
Earnings after tax	**30.9**	**–16.2**
Other taxes	–0.7	–0.7
Net income/loss	**30.2**	**–16.9**
Withdrawals from capital reserves	–	16.9
Deposit into statutory reserve	–1.5	–
Deposit into other retained earnings	–14.4	–
Distributable profit	14.3	0.0

The sales mainly consist 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 2023 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, 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.

Other operating expenses have risen by €15.6 million. The change mainly results from expenses for services performed in connection with the public tender offer by Schaeffler AG.

The change in interest income and expenses is mainly due to interest obligations in association with the loan granted to affiliated companies and from the Group-wide Vitesco Technologies Cash Management at Vitesco Technologies GmbH.

ASSETS AND FINANCES

Vitesco Technologies Group AG Statement of Financial Position per HGB (Short Version)

€ million	December 31, 2023	December 31, 2022
Assets		
Investments	3,012.2	3,012.3
Non-current assets	**3,012.2**	**3,012.3**
Receivables and other assets	739.4	659.4
Current assets	**739.4**	**659.4**
Prepaid expenses	**2.7**	**2.6**
Total assets	**3,754.3**	**3,674.3**
Liabilities		
Equity	**3,618.0**	**3,587.8**
Provisions	**58.0**	**30.2**
Liabilities	**78.3**	**56.3**
Total liabilities	**3,754.3**	**3,674.3**

Receivables and other assets increased by €80.0 million. The rise mainly results from the increased accounts receivable from affiliated companies due to the increase in interest receivables arising from the issue of a loan in an amount of €33.0 million (previous year: €2.0 million) and due to a €50.0 million receivable from affiliated companies that arises from profit and loss transfer agreements.

Equity increased by €30.2 million, which stemmed from the fiscal year's net income of €30.2 million.

The change in the provisions mainly results from, firstly, the €9.5 million increase in obligations for bonus commitments and, secondly, obligations of €15.4 million from unpaid invoices for services already provided in connection with the public tender offer by Schaeffler AG.

The €22.0 million increase in liabilities mainly results from the €76.3 million payable to affiliated companies (previous year: €54.0 million) arising from the Group-wide Vitesco Cash Management of Vitesco Technologies GmbH as at the reporting date.

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 Group’s forecast owing to its close integration with the Group’s companies. The earnings, assets, and finances of Vitesco Technologies Group AG are connected with the business development of and distributions from the Group’s companies. Based on our current planning, we expect that our net profit will deteriorate significantly compared to the current fiscal year.

OTHER DISCLOSURES

DEPENDENT COMPANY REPORT

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

In the 2023 fiscal year, 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 appropriate consideration for each transaction and measure listed in the report on relations with affiliated companies during the 2023 fiscal year under the circumstances known to us at the time the transactions were made or the measures taken or not taken and that the Company was not disadvantaged by taking or not taking 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-fourths 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 tender offer and their consequences

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

The Vitesco Technologies Group has agreed standardized change-of-control clauses in its financing agreements (syndicated credit line, SSD loan, and bilateral credit agreements). The definition of a change of control considers the ownership structure of Vitesco Technologies Group AG so far. If there is a change of control, every lender has the right to terminate its credit agreement early and demand repayment of the loan that it has disbursed if negotiations regarding a continuation of the loan do not lead to an agreement.

Compensation agreements of the Company with members of the Executive Board or employees in the event of a tender offer

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 tender offer.

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).

RISK AND OPPORTUNITY REPORT

RISK AND OPPORTUNITY MANAGEMENT IS PRACTICED TO ANALYZE AND MANAGE THE OVERALL SITUATION 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 (ROCE) that exceeds the weighted average cost of capital (WACC).

RISK AND OPPORTUNITY MANAGEMENT AND INTERNAL CONTROL SYSTEM

(Includes the report required under HGB §§ 289(4) and 315(4))

In order to operate successfully as a company in a complex business environment and to ensure the effectiveness and efficiency of operational business activities (and processes), 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.

In this chapter, we outline the objectives for risk management, explain the structure of risk management and the Vitesco Technologies Group's internal control system, and describe these systems. Then, we lay out the material risks and opportunities that arise as part of our business activity.

Vitesco Technologies strives for a risk culture that is practiced actively and shaped by an open response to risk, transparency regarding the risk situation, and targeted risk management. Vitesco Technologies' business management and the risk strategy derived from it are designed to ensure the Company's long-term viability and increase the Company's value in a sustainable manner. The primary objective of risk management is not to prevent all risks, but rather to respond to them in a controlled and effective way in day-to-day operations. The priority in risk management is to create levels of freedom that enable a conscious acceptance of risk based on extensive knowledge of the risk and its context. A coordinated, controlled response to risk is intended to contribute to the achievement of our Company's strategic and operational targets and increase the Company's value.

The internal control system, being the sum total of all systematically defined controls and monitoring activities, aims to ensure security and efficiency when doing business, the reliability of financial and non-financial reporting, and compliance with the law and guidelines in all activities. An effective and efficient internal control system is critical in order to manage risks in our business processes successfully. The internal control system at Vitesco Technologies is designed to incorporate all material business processes and extends beyond controls in the accounting process.

Key elements of the Group-wide control systems are the clear allocation of responsibilities and controls inherent in the system. The two-person rule and separation of functions are fundamental principles of this organization.

An organizational structure with clearly defined interfaces, roles, and responsibilities is vitally important for the success of control systems. At Vitesco Technologies, this structure is supported by a concept with three "lines of defense". Continuously faced with business risks, operations management forms the first line of defense. It is responsible for recognizing and analyzing these risks at the earliest possible stage and for setting up effective control measures in the value creation process that are designed to manage the risks. The second line of defense is formed by central management and is designed to control and supervise the first line of defense for optimum effectiveness. And finally, Group Audit forms the third line of defense in its role as an objective and independent auditing and advisory body. It supports the Executive Boards in the performance of its supervisory role and monitors the regularity, safety, appropriateness, and effectiveness of the implemented processes and the internal controls.

In addition, the executive management at Vitesco Technologies ensures that accounting processes comply with the requirements of law by issuing guidelines on the preparation of financial statements and accounts, 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 assessed in key areas of the business by means of quarterly process-independent effectiveness tests of the reporting units; the test results for the reporting units are supervised and evaluated at Group level. If any weaknesses are identified, the Group's management initiates the necessary measures.

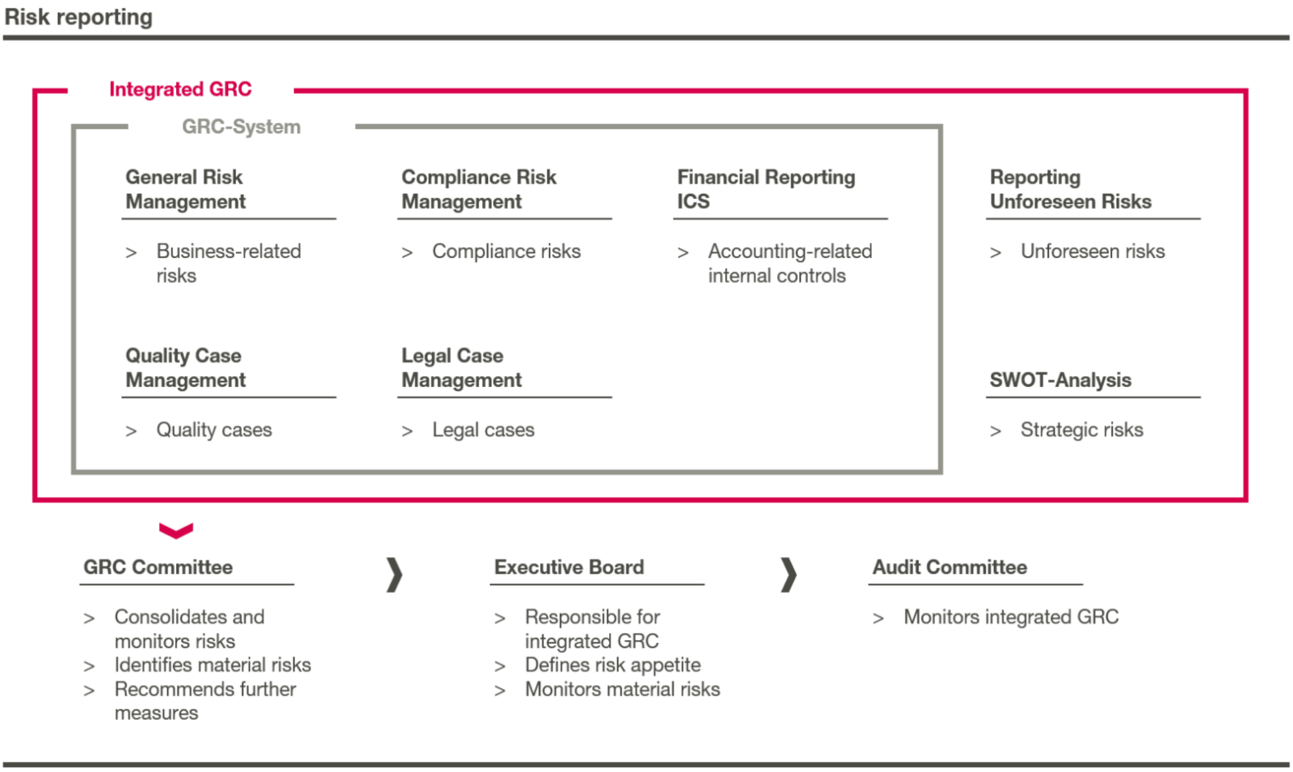
As part of our opportunity-management activities, we assess market and economic analyses and changes in legal requirements (e.g., with regard to fuel consumption and emission standards). In addition, we deal with the corresponding effects on the automotive sector and relevant markets, our production 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 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 risk and opportunity report, provided the potential negative EBIT effect of an individual risk or of the sum of individual risks included in a category exceeds €20.0 million in the observation period or there is a significant negative impact on the Group's targets.

To evaluate the risk to the Group as a going concern, the risks are aggregated every six months, taking into account any correlation effects, and compared with the Group's capacity to bear risk. Vitesco Technologies uses a method that adds up expected loss amounts, complemented with adjustment factors, to aggregate risk. Risk bearing capacity is calculated using a liquidity-based approach.

Local management can utilize various instruments for risk assessment, such as centrally defined, Group-wide risk categories (e.g., exchange rate risks, product-liability risks, and legal risks) and assessment criteria as well as the process and control descriptions in the financial reporting ICS. 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.

Business-related risks are assessed by all major subsidiaries and organizational units in the GRC system's IT-aided risk management application every six months. Any quality or legal cases that have actually occurred are also taken into account when assessing these risks. The ICS for financial reporting is applied every quarter.

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.

Vitesco Technologies has set up a global whistleblower system (Integrity Line) to give employees and third parties outside the Vitesco Technologies 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 fully by the Group Audit and Compliance departments, as required, with the assistance of other departments.

Risk management

The relevant 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 a 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.

Based on everything that we know from the independent audit and monitoring of the risk management system by Group Audit, as well as from other evaluations inherent in the system, there is nothing that opposes the appropriateness and effectiveness of the risk management system. As part of the internal monitoring activities of the internal control system, self-assessments for the fiscal year were performed by the relevant, individual business units. To this end, the persons responsible for the business processes validated the relevant risk identification, implementation of controls, monitoring, and reporting and reviewed the appropriateness and effectiveness of the internal control system. Based on the feedback from the relevant business units resulting from this and based on the findings from internal audit, the Executive Board is not aware of any information indicating that the entirety of the internal control system was not appropriate and effective in the fiscal year 2023.

MATERIAL RISKS

Material risks are classified according to their likelihood of occurrence and their possible negative effects. The risks are presented and evaluated according to the net principle – i.e., after risk mitigation measures. The evaluation is based on an observation period of one year. 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 the possible negative effects in the observation period. The risks pertain to all organizational units unless otherwise stated explicitly.

For classification of the likelihood of occurrence, the following categories apply:

Class	Percentage range
Very low	Below 10 percent
Low	10 to 20 percent
Medium	Above 20 to 50 percent
High	Above 50 percent

The possible effects are categorized as follows:

Class	Amount of damage
Minor	< €50 million
Moderate	€50 – 100 million
Major	> €100 – 200 million
Substantial	> €200 million

The following table sets out our estimates of the likelihood of occurrence of risks and their possible effects in the event of occurrence.

Likelihood of occurrence and possible effects

	Likelihood of occurrence	Possible effect
Financial risks		
Default risks in connection with cash and cash equivalents	Very low	Substantial
Exchange rate changes and hedging	Low	Minor
Market risks		
Geopolitical volatility and political upheaval	Medium	Substantial
Global financial and economic crisis	Medium	Substantial
Accelerated change within the automotive industry	Medium	Moderate
Cyclical industry and customer dependence	Medium	Moderate
Operational risks		
Increased costs in the multi-tier supplier network	Medium	Substantial
IT risks	Medium	Moderate
Loss of property, plant, and equipment and business interruption	Very low	Substantial
Global statutory technical requirements and standards	Low	Minor
Climate change	Low	Minor
Legal and tax risks		
Compensation payments and costs from official investigations	Medium	Moderate
Tax filings	Medium	Moderate
Warranty and product-liability claims	Low	Moderate
Tax risk in connection with the Continental carve-out	Low	Minor
Legal disputes and penalties for unlawful conduct	Low	Minor
Infringement of third-party industrial property rights	Low	Minor
Sufficient protection of intellectual property and technical expertise	Low	Minor
Changes in laws or their application	Very low	Moderate

FINANCIAL RISKS

Vitesco Technologies is exposed to default risks in connection with cash and cash equivalents, derivative instruments, and interest-bearing investments.

The investment of excess liquidity and the conclusion of derivatives give rise to counterparty risks. A partial or total default of a counterparty, for example, on its obligation to repay interest and capital, would have a negative influence on the earnings and finances of Vitesco Technologies. In order to minimize the default risk for cash and cash equivalents, derivatives, and interest-bearing investments, the banks that are used are generally ones that at least have an investment grade credit rating from one of the global rating agencies. The creditworthiness of the banks is monitored on an ongoing basis. In addition, Vitesco Technologies sets investment limits for each bank and limits on the fair value of derivative instruments. The amount of these limits is based on the creditworthiness of the respective bank as determined by the rating agencies. Compliance with these limits is continuously monitored.

Vitesco Technologies is exposed to risks associated with changes in foreign-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, fluctuation in exchange rates could intensify or reduce fluctuation 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 credit 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. The main currencies concerned are the Japanese yen, the US dollar, and Romanian lei.

MARKET RISKS

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 are considerable uncertainty and challenges in relation to the global economic prospects. The geopolitical tension, in particular Russia's invasion of Ukraine, China and Taiwan, in Korea, and in Israel, could result in significant, negative consequences on global growth prospects and on Vitesco Technologies' business activities. This could have significant, negative impacts on sales and, because of goods shortages or price rises for components as well as other materials needed for production, on the earnings 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 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 the key Europe, North America, and Asia regions in particular 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 further adversely affect the sales and earnings of Vitesco Technologies. Worldwide trends toward protectionism in the form of duties, trade embargoes, and sanctions or a recession, triggered for example by a potential collapse of China's real estate sector or by inflation, could likewise have a negative impact on Vitesco Technologies' sales. 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 difficult to forecast how the markets will develop in the future.

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 consumption and emission standards throughout the industrial world, including the EU and Asia, car 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. With the rising dynamism comes a risk that it might not be possible to exhaust all potential sales fully. The accelerated trend toward electrification is continuing to lead to higher frequency and shorter time to market for new products. Consequently, there exists a risk that Vitesco Technologies cannot keep up with the increased requirements for completion dates, costs, and quality when carrying out the projects for which it has gained contracts. This could cause higher development costs and capital expenditure as well as lower sales and margins than planned or penalties.

Vitesco Technologies operates in a cyclical industry and generates a high proportion of its sales with a small number of OEMs.

Global production of vehicles, and therefore sales to OEMs, are subject to major fluctuations in some cases. They depend, among other things, on general economic conditions, disposable income, and changes in consumption patterns, 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. 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 could be wholly or partially lost. 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.

OPERATIONAL RISKS

Vitesco Technologies is exposed to risks from massively increased costs in the multi-tier supplier network.

The crises of recent years have hit German businesses hard, and there were already global shortages and immense price rises as a consequence of the COVID-19 pandemic, which was particularly the case for chips as well as other materials needed for production. These price rises were fueled further in the course of Russia's invasion of Ukraine. Vitesco Technologies is affected to a special extent by price rises for commodities and components and by the immense increases in labor, energy, and freight costs. The price rises eat into Vitesco Technologies' margins. Numerous measures have been taken, such as adjusted purchasing strategies, pushing long-term supplier agreements, and continuous negotiations with our customers. Nevertheless, there remains a risk of significant, negative consequences on the earnings of Vitesco Technologies.

Vitesco Technologies is exposed to IT risks.

With regard to business and production processes, products, 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 and steadily expanded 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, redundancy of essential infrastructure, and contingency plans, as well as suitable training measures that are continuously expanded, particularly to raise awareness of the growing threat from cybercrime. In addition, Vitesco Technologies concluded a cyber-insurance policy. 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 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 – at the premises of customers and 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 risks in connection with global statutory technical requirements and standards.

As a global group of companies, Vitesco Technologies as well as its customers and suppliers are subject to a large number of requirements under laws and standards. These requirements are updated and refined at short intervals. In the area of product compliance in particular, aspects such as emissions, the environment, safety, data protection, data security, sustainability, chemicals, and other local, market-specific topics must be respected. The current status of the relevant statutory technical requirements and standards in each country where Vitesco Technologies markets products in their final stage of application or usage may vary. These continuous changes and developments in the requirements of laws and standards may result in certain products no longer meeting the current requirements during the entire product life cycle without the knowledge of Vitesco Technologies. A failure to fulfill the requirements of laws and standards entails risks such as possible remedial work, product recalls, or the imposition of penalties. For this reason, Vitesco Technologies has already taken extensive organizational precautions to track and safeguard compliance with the requirements under laws and standards across the entire product life cycle and maintain the highest standards in relation to compliance and product quality at all times. As further adjustments of the global statutory technical requirements and standards should be expected in the future as well, a violation cannot be ruled out despite all the measures taken.

Vitesco Technologies is exposed to risks from climate change.

The risk of climate change is a risk to which businesses, governments, and society as a whole are all exposed equally. Climate change impacts natural, human, and economic systems. The risks of climate change include physical risks, process risks, reputational risks, shareholder risks, regulatory risks, competitive risks, and transitory risks associated with the transition to a low-carbon economy. The impacts of climate change depend strongly on the type of event (e.g., heat wave, heavy rain) that results from climate change. In particular, the extent, severity, and frequency of natural catastrophes can have a very large physical influence. Secondary effects such as long-term infrastructure deficits, lasting negative impacts on living conditions, higher resource consumption, and regulatory effects cannot be ruled out. The risks from climate change have implications for various other risks such as biodiversity loss, deficient water supply, and workforce risks.

LEGAL AND TAX RISKS

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. There is no accusation in the investigation of Vitesco Technologies being complicit. Vitesco Technologies is cooperating fully with the Hanover district attorney's office. The Executive Board of Vitesco Technologies, based on its assessment of the current status of the investigation being conducted by the Hanover district attorney, expects that the Continental Group companies that are party to the proceedings will be issued fines. The district attorney in Frankfurt am Main conducted investigation proceedings due to an allegation of using illegal defeat devices in Mitsubishi vehicles. As part of these proceedings, a fine totaling €3.6 million was issued to Continental AG, Continental Automotive GmbH, and Continental Automotive France SAS. This fine cannot be appealed. While Vitesco Technologies was not itself party to the investigation proceedings by the Frankfurt am Main district attorney and is not itself party to the investigation proceedings by the Hanover district attorney, it is generally subject to an obligation under the agreements made with Continental AG as part of the carve-out (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. On top of that, there are Vitesco Technologies' own costs in connection with these proceedings, especially investigation costs. In light of these circumstances, Vitesco Technologies has set aside €123.9 million in total for potential indemnification obligations to the Continental Group and for other expenses associated with the case, defense, and investigation. These funds are composed as follows: €41.9 million is a provision within the meaning of IAS 37/IAS 19 and €82.0 million is recognized as other financial liabilities within the meaning of IAS 32 owed to Continental AG based on the Group separation agreement. Of these amounts set aside, €38.0 million have meanwhile been utilized for issues related to IAS 37/IAS 19. In particular, the other financial liability toward companies in the Continental Group covers the risk of a potential obligation from 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 tax filings.

Vitesco Technologies Mexico has built up claims against the Mexican tax authorities based on an input tax surplus beginning in the February 2019 VAT period. The refund forms that must be submitted separately for each calendar month were almost all approved by the Mexican tax authorities and the VAT refunded. All remaining claims are valid and enforceable in the view of Vitesco Technologies and its accountants. However, there is a risk that the claims connected to the carve-out will not be fully satisfied as expected and will need to be written off. Vitesco Technologies Mexico is also 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. Furthermore, there exists a risk for Vitesco Technologies Mexico that the Mexican tax authorities could reclaim input tax reimbursements to the Company in the current structure for the 2019 to July 2021 tax years as the offsetting performed at this time may possibly not be accepted.

Vitesco Technologies is exposed to warranty and product liability claims.

Vitesco Technologies is subject to claims and proceedings alleging violations of due care, violation of warranty obligations, and/or product 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, 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's OEM customers could potentially claim damages, even if the cause of the defect is remedied at a later point in time.

Vitesco Technologies is exposed to a risk of potential additional taxes in connection with the Continental carve-out.

Vitesco Technologies is exposed to tax risks due to a current tax audit at Continental focusing on the carve-out of Vitesco Technologies in 2019. As part of the carve-out in 2019, the Powertrain business operations were transferred from German Continental companies to German Vitesco Technologies companies via asset deals. The income on the disposal through the asset deals is being questioned as part of the audit. If the purchase price were increased, the Group separation agreement provides for Continental being entitled to compensation from Vitesco Technologies for any additional tax that may be incurred. The risk concerns Vitesco Technologies Germany GmbH, Regensburg. To mitigate the risk to Vitesco Technologies, the Vitesco Technologies Head of Tax is involved in the tax audit at Continental. Internal and external consultants are also involved.

Vitesco Technologies is exposed to risks from legal disputes as well as fines and claims for damages for alleged or actual unlawful conduct.

Companies in the Vitesco Technologies Group are involved in a number of legal disputes 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 has a comprehensive compliance management system in place. However, 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.

There is a risk of Vitesco Technologies infringing 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.

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.

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 authority will reinforce its 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 tax burden increase.

MATERIAL OPPORTUNITIES

Unless there is an emphasis placed on a specific division, the opportunities apply to all divisions.

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 thus 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 currently high share of sales Vitesco Technologies generates in this region.

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 an internal 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 power trains 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 commodity markets relevant to us.

The earnings of Vitesco Technologies are affected to a significant extent by the cost of commodities, 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.

Vitesco Technologies has opportunities with potential synergy effects resulting from the acquisition by Schaeffler AG.

On October 9, 2023, Schaeffler AG announced a public tender offer for the shares outstanding in Vitesco Technologies Group AG in order to create a leading motion technology company. Further, profitable growth could consequently be created by utilizing the complementary alignment in relation to customers, markets, and product fields. Simultaneously, the close collaboration could result in significant potential profitability synergy with an attractive margin and cash profile. Vitesco Technologies and Schaeffler have complementing technology portfolios, especially for electrification.

STATEMENT ON OVERALL RISK AND OPPORTUNITIES SITUATION

While there were some changes in the assessment of certain risks, the Executive Board’s assessment of the overall risk situation of the Vitesco Technologies Group has not changed materially since the previous year.

Currently, 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 opportunity 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 forecasts growth of 3.1% for the global economy in 2024 in its World Economic Outlook Update (WEO Update) from January 2024. This corresponds to the same increase as in the previous year.

In the eurozone, the IMF expects gross domestic product (GDP) to increase slightly by 0.9% in 2024, which includes GDP growth of 0.5% in Germany's economy. For the United Kingdom, the IMF anticipates that GDP will grow by 0.6%.

For the United States, it predicts GDP growth of 2.1% for 2024. Meanwhile, the prediction for Mexico is 2.7%.

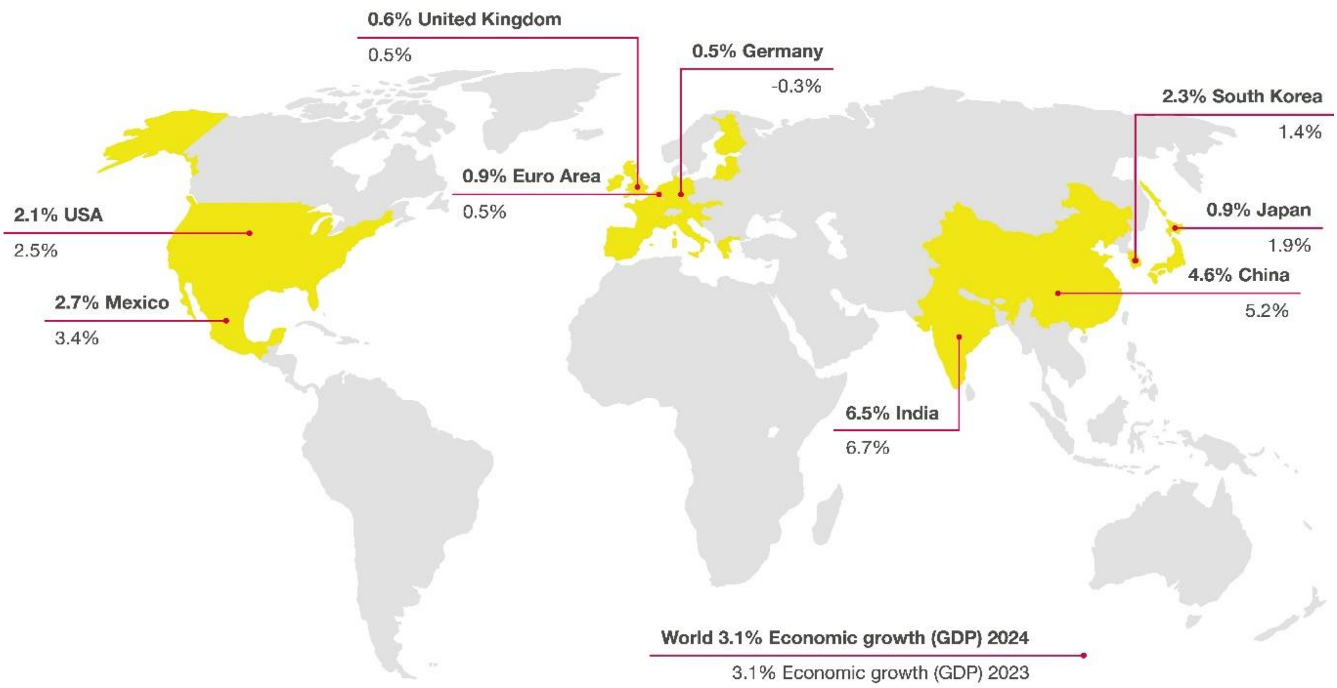
The IMF is forecasting high GDP growth rates for India in particular, where it is expected to reach 6.5%. For China, growth of 4.6% is anticipated due to further fiscal policy measures. The IMF also expects growth to increase in other emerging and developing economies in 2024. For Japan, too, the IMF believes that there will be positive effects to allow for a prediction of slight 0.9% growth in 2024. A GDP increase of 2.3% was estimated for South Korea in 2024.

Overall, the IMF sees the risk-and-opportunity ratio in its outlook as skewed somewhat toward risk. On the positive side, there are impacts from steady growth, still supported by government and private spending, and a potentially faster decline in inflation.

However, on the risk side, Russia's invasion of Ukraine and the conflict in Israel has to be mentioned. In addition, new spikes in commodity prices due to geopolitical shocks and supply disruptions or an extended tightening of monetary policy conditions could impede economic progress. An escalation of the issues in the real estate sector in China could also result in disappointing growth. Further extreme weather shocks, including floods and droughts, could also lead to an increase in food prices and sharpen food shortages, and thus jeopardize the global disinflation process. These reasons and others could lead to a reassessment of the macroeconomic development by the financial markets.

Lasting disinflation remains the priority in most economies amid persistently high inflation rates. Simultaneously, more efficient multilateral coordination is required, including for things such as debt regulation in many national budgets, in order to avoid a possible debt emergency and make space for necessary investments as well as to mitigate the effects of climate change.

ECONOMIC GROWTH IN 2024 VERSUS 2023 (FOR SELECTED COUNTRIES AND THE WORLD)



Source: IWF, World Economic Outlook Update, January 2024.

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 2024 will remain almost unchanged compared with 2023. This assessment considers the currently expected effects of renewed supply disruptions in the Red Sea and the current level of key interest rates, which tend to motivate private households to save money.

The current events in Ukraine, the Middle East, and the Red Sea cannot yet be quantified as they are still ongoing and have therefore only partially been incorporated into this forecast of developments in global vehicle production. For example, the conflicts could lead to further goods shortages and higher energy prices, 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 macroeconomic and political consequences cannot be ruled out, either.

In Europe, Vitesco Technologies expects a decrease of -3% to -1% in the production of passenger cars and light commercial vehicles in 2024. The volumes of electric passenger cars should increase significantly as a result of further tightening of carbon emission standards and increasing acceptance among the world’s population, which is also a result of the greater variety and technological progress of new vehicle models.

In the North American market, Vitesco Technologies currently anticipates a slight increase in the production volume of passenger cars and light commercial vehicles of 0% to 2% when compared with 2023.

In China, Vitesco Technologies expects a slight growth of 0% to 2% in the production volumes of passenger cars and light commercial vehicles in 2024 due to the increasing stabilization, including as a result of fiscal policy measures.

FORECAST OF CHANGES IN VEHICLE PRODUCTION IN 2024 (VERSUS 2023)

	Europe	North America	China	Worldwide
Vehicle production in %	–3 to –1	0 to 2	0 to 2	–1 to 1

Sources:
Vehicle production: S&P Global Mobility, Light Vehicle Production Forecast, January 2024.
Preliminary figures and internal estimates.

OUTLOOK FOR VITESCO TECHNOLOGIES

Forecast methodology

Each year, Vitesco Technologies issues guidance for the key performance indicators for the Group in the new fiscal year. They include sales and the adjusted EBIT margin. Moreover, Vitesco Technologies publishes guidance for the capital expenditure planned for the current fiscal year and its expected free cash flow. Its guidance is based on Vitesco Technologies’ assessment of the development 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 quality-based comparative forecast of the business development expected in its individual divisions. Vitesco Technologies provides information about the expected developments in sales and adjusted operating result (adjusted EBIT) in individual divisions as well as a comparison with the previous year’s figures.

Vitesco Technologies announces its guidance 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 guidance are described latest in the report for the relevant quarter.

Comparison against previous year’s guidance

The outlook for the fiscal year 2023was based on an assumption that the global production of passenger cars and light commercial vehicles would recover compared to the previous year. Regionally, Vitesco Technologies expected very different developments; these were last updated as part of the publication of the Q3 figures. In China, production was anticipated to increase by approximately 5% to 7%. The European market was expected to have its automobile production increase by about 10% to 12% compared to 2022. Growth of 5% to 7% was forecasted for North American vehicle production. Outside these three key regions, vehicle production was expected to grow by about 6% to 8% compared with the previous year.

Based on the assumed production figures first presented as part of the 2022 annual report’s publication and the figures adjusted throughout the year, Vitesco Technologies expected consolidated sales of €9.2 billion to €9.7 billion for the fiscal year 2023. Given that there were still additional burdens, especially because of the slightly persistent semiconductor shortage and other increased inflation costs, Vitesco Technologies predicted an adjusted EBIT margin between 2.9% and 3.4% for fiscal year 2023.

The guidance predicted that the capital expenditure planned for the year under review, excluding right-of-use assets within the meaning of IFRS 16, Leases, would constitute a capital expenditure ratio of about 5% to 6% of planned sales in fiscal year 2023f. The Group anticipated on March 23, 2023, that free cash flow for 2023 would be about €50 million.

The actual sales of €9,233.2 million that were achieved for the fiscal year 2023 were therefore within the range provided in the outlook. The adjusted EBIT margin, which was 3.7% in fiscal year 2023, was above the forecast range.

Capital expenditure, excluding right-of-use assets under IFRS 16, Leases, came to €499.8 million, equivalent to a ratio of 5.4% of the Group's sales. It therefore well in line with the forecast. Free cash flow, which came in at €84.9 million for fiscal year 2023, was able to slightly exceed the guidance of a value of roughly €50 million.

COMPARISON OF FISCAL 2023 AGAINST GUIDANCE

	Group			
	Sales (€ million)	Adjusted EBIT margin (as % of sales)	Capital expenditure (as % of sales)	Free cash flow (€ million)
2022 Annual Report on March 23, 2023	9,200–9,700	2.9 – 3.4	5 to 6	~ 50
2023 Annual report	9,233.2	3.7	5.4	84.9

Order situation

Vitesco Technologies' order intake in fiscal year 2023 was positive, as in the previous fiscal year. In total, the two Divisions, Powertrain Solutions and Electrification Solutions, acquired orders that add up to roughly €12.2 billion of lifetime sales (i.e., during the lifetime of the supply arrangements). This includes orders for approximately €8.3 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 commodity prices.

Outlook for 2024 fiscal year

As mentioned in the guidance, Vitesco Technologies expects that the production number of passenger cars and light commercial vehicles in the 2024 fiscal year will remain almost unchanged compared to the previous year. This expectation is based on uncertainty which is described in the Forecast of Developments in Global Vehicle Production section.

The outlook for the 2024 fiscal year accounts for the strong decrease in our contract manufacturing for the Continental Group. Furthermore, the current geopolitical uncertainties are incorporated as much as possible. The resulting consequences cannot be fully quantified on the basis of Vitesco Technologies' insufficient level of knowledge and could further weaken the outlook. Further-ranging macroeconomic and economic policy consequences cannot be ruled out, either. Meanwhile, the further improvement of semiconductor availability is relaxing the supply situation.

The outlook for the 2024 fiscal year does not take into account any effects resulting from the project for integration into the Schaeffler Group.

Based on all of the above assumptions, and taking into account the exchange rates at the beginning of the fiscal year, Vitesco Technologies expects the following key financial figures for fiscal year 2024.

In light of the assumed market developments in the automotive industry and, in particular, the planned exit from contract manufacturing for the Continental Group as well as the focus on the electrification business, Vitesco Technologies is forecasting sales between €8.3 billion and €8.8 billion.

Due to the expected decline in sales in areas that diminish earnings, such as contract manufacturing for the Continental Group, and the expected increase in profitability in the field of electrification, Vitesco Technologies is forecasting an adjusted EBIT margin between 4.5% and 5.0%.

Capital expenditure, excluding right-of-use assets under IFRS 16, is estimated to be roughly 7% of sales in fiscal year 2024.

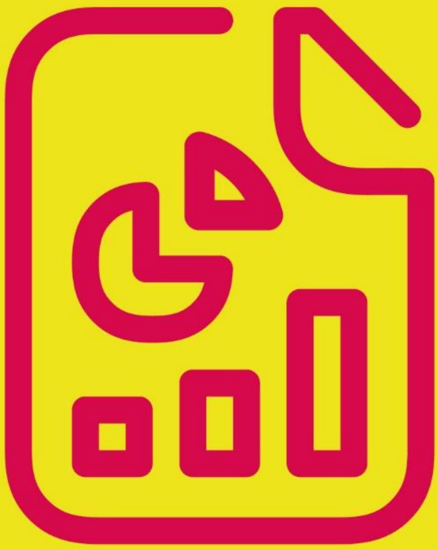
Vitesco Technologies forecasts negative free cash flow of roughly €350 million in fiscal year 2024. The main reasons for this are the planned settlements of advance payment by the Continental Group and the mutual decline in contract manufacturing combined with the contractually agreed adjustment of payment terms.

Outlook for developments in Divisions in the fiscall year 2024

The planned decline in contract manufacturing for the Continental Group will presumably lead to a significant decline in sales for the Powertrain Solutions Division. Planned operational improvements will additionally lead to a significant increase in the adjusted EBIT margin in 2024.

In Electrification Solutions Division, Vitesco Technologies anticipates a significant increase in sales in 2024 in light of the numerous project ramp-ups and increasing electrification of the global vehicle fleet. The adjusted EBIT margin is also expected to rise significantly over the coming fiscal year on account of rising economies of scale.

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-over-year, while a “significant” change represents a development of an extent greater than 5%. In relation to adjusted operating result (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-over-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 2023 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, February 29, 2024

Andreas Wolf Sabine Nitzsche Ingo Holstein Stephan Rölleke Klaus Hau Thomas Stierle

The Executive Board

CONSOLIDATED STATEMENT OF INCOME

€ million	Chapter	**2023**	2022
Sales	6	**9,233.2**	**9,070.0**
Cost of sales		–7,820.9	–7,912.9
Gross margin		**1,412.3**	**1,157.1**
Research and development costs	7	–1,020.2	–1,005.2
Distribution and logistics costs		–149.4	–141.5
General administrative costs		–253.8	–211.6
Other income	8	553.7	592.1
Other expenses	8	–372.7	–248.9
Income from equity-accounted investees	10	2.3	1.3
EBIT		**172.2**	**143.3**
Interest income	11	36.4	44.4
Interest expense	11	–57.5	–41.8
Effects from currency translation	11	–4.2	–53.5
Effects from changes in the fair value of derivative instruments, and other valuation effects	11	–1.1	5.6
Financial result	11	**–26.4**	**–45.3**
Result before income tax		**145.8**	**98.0**
Income tax expense	12	–242.2	–74.4
Net income		**–96.4**	**23.6**
Basic earnings per share in €	38	**–2.41**	**0.59**
Diluted earnings per share in €	38	**–2.41**	**0.59**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million	**2023**	2022
Net income	**–96.4**	**23.6**
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	–55.9	364.1
Fair value adjustments	–55.8	364.6
Currency translation	–0.1	–0.5
Other investments	4.5	–
Tax on other comprehensive income	15.8	–20.3
Items that may be reclassified subsequently to profit or loss		
Currency translation	–75.7	10.5
Cash flow hedges	–3.9	9.1
Tax on other comprehensive income	1.2	–2.7
Other comprehensive income	**–114.0**	**360.7**
Group comprehensive income	**–210.4**	**384.3**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

€ million	Chapter	December 31, 2023	December 31, 2022
Goodwill	13	786.3	816.1
Other intangible assets	13	335.7	211.4
Property, plant and equipment	14, 15	2,279.7	2,414.6
Investments in equity-accounted investees	16	20.2	18.2
Other investments	17	15.2	23.8
Deferred tax assets	18	265.8	271.8
Defined benefit assets	26	11.6	10.8
Non-current contract assets	6	1.3	–
Non-current derivative instruments and interest-bearing investments	31	19.5	24.5
Other non-current financial assets	19	27.3	9.9
Other non-current assets	20	5.3	8.7
Non-current assets		**3,767.9**	**3,809.8**
Inventories	21	825.1	827.2
Trade accounts receivable	22	1,546.0	1,631.4
Current contract assets	6	2.0	0.5
Other current financial assets	19	82.8	76.2
Other current assets	20	252.2	320.9
Income tax receivables		33.0	14.9
Current derivative instruments and interest-bearing investments	31	10.4	19.9
Cash and cash equivalents	23	1,063.6	781.1
Assets held for sale	24	0.1	121.8
Current assets		**3,815.2**	**3,793.9**
Total assets		**7,583.1**	**7,603.7**

LIABILITIES

€ million	Chapter	December 31, 2023	December 31, 2022
Subscribed capital	25	100.1	100.1
Capital reserves	25	3,487.8	3,487.8
Retained earnings	25	–843.0	–761.6
Other comprehensive income	25	106.4	235.4
Total Equity	25	**2,851.3**	**3,061.7**
Long-term employee benefits	26	624.2	524.3
Deferred tax liabilities	18	140.5	41.2
Non-current provisions for other risks and obligations	28	137.8	243.9
Long-term indebtedness	30	672.4	392.8
Non-current contract liabilities	6	2.1	89.4
Other noncurrent liabilities	34	11.0	6.5
Non-current liabilities		**1,588.0**	**1,298.1**
Short-term employee benefits	26	316.6	274.1
Trade accounts payable	33	1,838.6	2,003.4
Current contract liabilities	6	132.0	53.5
Income tax payables	29	94.2	72.8
Current provisions for other risks and obligations	28	424.5	423.2
Short-term indebtedness	30	54.2	54.9
Other current financial liabilities	32	208.3	201.9
Other current liabilities	34	75.4	82.1
Liabilities held for sale	24	–	78.0
Current liabilities		**3,143.8**	**3,243.9**
Total equity and liabilities		**7,583.1**	**7,603.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

€ million	Chapter	2023	2022
Net income		**–96.4**	**23.6**
Income tax expense	12	242.2	74.4
Financial result	11	26.4	45.3
EBIT		**172.2**	**143.3**
Interest paid		–18.3	–14.0
Interest received		24.4	38.4
Income tax paid	12, 29	–141.1	–106.3
Depreciation, amortization, impairment, and reversal of impairment losses	5, 8, 13, 14, 15	575.9	560.0
Income from equity-accounted investees and other investments, incl. impairment and reversal of impairment losses	10, 16	–2.3	–1.3
Gains/losses from the disposal of assets, companies, and business operations		37.1	–11.1
Changes in			
Inventories	21	–53.0	–32.7
Trade accounts receivable	22	–22.0	–178.3
Trade accounts payable	33	–82.8	56.2
Employee benefits and other provisions	26, 28	44.6	–34.4
Other assets and liabilities		94.3	172.3
Cash flow arising from operating activities		**629.0**	**592.1**
Cash flow from the disposal of assets	13, 14	74.2	44.6
Capital expenditure on property, plant and equipment and software	14	–499.8	–446.6
Capital expenditure on intangible assets from development projects and miscellaneous	13	–162.7	–75.8
Cash flow from the disposal of companies and business operations	5	37.8	11.4
Other investments		6.4	–2.5
Cash flow arising from investing activities		**–544.1**	**–468.9**
Cash flow before financing activities (free cash flow)		**84.9**	**123.2**
Cash inflow of short-term and long-term indebednesst	30	295.4	200.0
Cash outflow for short-term and long-term indebtedness	30	–15.7	–99.0
Payment lease liabilities	30	–45.3	–48.7
Cash flow arising from financing activities		**234.4**	**52.3**
Change in cash and cash equivalents		**319.3**	**175.5**
Cash and cash equivalents as at Jan. 1		781.1	614.0
Effect of exchange-rate changes on cash and cash equivalents		–44.2	–1.1
Classification assets held for sale	24	7.4	–7.3
Cash and cash equivalents as at December 31	23	**1,063.6**	**781.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Difference on			
€ million	Subscribed capital[1]	Capital reserves	Retained earnings	Remeasure-ment of defined-benefit plans	Cur-rency trans-lation	Financial instru-ments	**Total**
As at January 1, 2022	**100.1**	**3,504.7**	**–802.1**	**–301.3**	**169.5**	**6.5**	**2,677.4**
Net income	–	–	23.6	–	–	–	**23.6**
Other comprehensive income	–	–	–	343.8	10.5	6.4	**360.7**
Group comprehensive income	**–**	**–**	**23.6**	**343.8**	**10.5**	**6.4**	**384.3**
Other changes[2]	–	–16.9	16.9	–	–	–	**–**
As at December 31, 2022	**100.1**	**3,487.8**	**–761.6**	**42.5**	**180.0**	**12.9**	**3,061.7**
Net income	–	–	–96.4	–	–	–	**–96.4**
Other comprehensive income	–	–	15.0	–44.2	–75.7	–9.1	**–114.0**
Group comprehensive income	**–**	**–**	**–81.4**	**–44.2**	**–75.7**	**–9.1**	**–210.4**
As at December 31, 2023	**100.1**	**3,487.8**	**–843.0**	**–1.7**	**104.3**	**3.8**	**2,851.3**

1) Divided into 40,021,196 shares outstanding.
2) Withdrawal from capital reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

Starting in fiscal year 2023, Vitesco Technologies has significantly increased its focus on the electrification business. The Vitesco Technologies Group’s previous four Divisions – Electronic Controls, Electrification Technology, Sensing & Actuation, and Contract Manufacturing – have been merged into two newly organized units: the Powertrain Solutions Division and the Electrification Solutions Division. Below the Divisions, there are clearly allocated business units. This also applies to the relevant central functions, which were relocated from the previous Business Units to the Divisions. In this context, we adjusted the allocation of our research and development expenses to the respective Divisions according to the origination principle.

The benefit of the new organizational structure is greater centralization, ensuring an increased ability to respond to market changes. It also makes more effective use of existing management capabilities and significantly increases transparency, especially in relation to the progress of transformation in Powertrain Solutions and the growth of electrification business. With this structural adjustment, Vitesco Technologies is further sharpening its strategic focus on the electrification propulsion to operate even more effectively, efficiently, and flexibly in the market for sustainable drive technologies.

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 (divisions). 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 business units:

Powertrain Solutions Division concentrates on technologies, products, and services that ensure the efficiency, performance, and comfort of power trains. The Division offers products and services for vehicles with internal combustion engines, hybrid vehicles, and electric vehicles in the passenger car, commercial vehicle, and two-wheel vehicle markets.

Electrification Solutions Division concentrates on the electrification of power trains. It offers technologies and products for hybrids, plug-in hybrids, and battery-electric vehicles as well as 48-volt mild hybrids.

Other/Holding/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 any operating unit.

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 divisions on the basis of their adjusted operating result (adjusted EBIT). Their performance is expressed as the return on sales (adjusted operating result (adjusted EBIT) divided by adjusted sales) and as the return on capital employed (ROCE), which represents EBIT as a percentage of average operating assets. Cross-divisional 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.

Non-cash 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 fiscal year 2023, sales were made with three customers across the Powertrain Solutions and Electrification Solutions Divisions that were in each case greater than 10%; €1,442.5 million (previous year: €1,155.9 million), €1,017.6 million (previous year: €1,008.7 million), and €943.3 million (previous year: €893.1 million). 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 year 2023, 17.1% (previous year: 19.2%) of sales were made in the US, 19.5% (previous year: 18.2%) in Germany, and 15.9% (previous year: 14.7%) of sales were made in China. 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 2023

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
External sales	6,073.0	3,160.0	0.2	9,233.2
Intercompany sales	45.8	2.3	–48.1	–
Sales (total)	**6,118.8**	**3,162.3**	**–47.9**	**9,233.2**
EBIT	343.6	–105.8	–65.6	172.2
As % of sales	5.6	–3.3	–	1.9
Of which income from equity-accounted investees	2.3	–	–	2.3
Capital expenditure[1]	201.9	333.9	0.2	536.0
As % of sales	3.3	10.6	–	5.8
Depreciation and amortization[2]	376.4	199.2	0.3	575.9
Of which impairment[3]	70.3	6.3	–	76.6
Internally generated intangible assets	–	162.7	–	162.7
Significant non-cash expenses/income	–10.3	–16.1	–0.8	–27.2
Segment assets	3,336.7	2,703.8	5.5	6,046.0
Of which investments in equity-accounted investees	20.2	–	–	20.2
Segment liabilities	1,691.7	1,387.6	119.3	3,198.6
Operating assets as at December 31	1,645.0	1,316.2	–113.8	2,847.4
Operating assets (average)	1,702.3	1,243.2	–96.7	2,848.8
ROCE in %	20.2	–8.5	–	6.0
Number of employees[4] as at December 31	20,391	15,071	66	35,528
Adjusted sales[5]	6,118.8	3,162.3	–47.9	9,233.2
Adjusted operating result (adjusted EBIT)[6]	464.6	–98.1	–25.4	341.1
As % of adjusted sales	7.6	–3.1	–	3.7

1) Capital expenditure on property, plant, and equipment and software, including IFRS 16, Leases.
2) Excluding impairment of investments.
3) Impairment also includes any required 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 topics.

SEGMENT REPORTING FOR 2022

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
External sales	6,326.0	2,744.5	–0.5	9,070.0
Intercompany sales	46.3	21.3	–67.6	–
Sales (total)	**6,372.3**	**2,765.8**	**–68.1**	**9,070.0**
EBIT	343.1	–149.4	–50.4	143.3
As % of sales	5.4	–5.4	–	1.6
Of which income from equity-accounted investees	1.3	–	–	1.3
Capital expenditure[1]	221.4	271.2	0.1	492.7
As % of sales	3.5	9.8	–	5.4
Depreciation, amortization and impairment[2]	367.2	192.7	0.1	560.0
Of which impairment[3]	3.6	11.7	–	15.3
Internally generated intangible assets	–	75.7	–	75.7
Significant non-cash expenses/income	–18.8	–27.5	–1.5	–47.8
Segment assets	3,883.2	2,374.4	8.9	6,266.5
Of which investments in equity-accounted investees	18.2	–	–	18.2
Segment liabilities	2,143.5	1,209.7	102.3	3,455.5
Operating assets as at December 31	1,739.7	1,164.7	–93.4	2,811.0
Operating assets (average)	1,741.5	1,080.4	–80.7	2,741.2
ROCE in %	19.7	–13.8	–	5.2
Number of employees[4] as at December 31	23,591	14,396	56	38,043
Adjusted sales[5]	6,287.3	2,765.6	–68.0	8,984.9
Adjusted operating result (adjusted EBIT)[6]	345.3	–93.1	–26.7	225.5
As % of adjusted sales	5.5	–3.4	–	2.5

1) Capital expenditure on property, plant, and equipment and software, including IFRS 16, Leases.
2) Excluding impairment of investments.
3) Impairment also includes any required 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 topics.

RECONCILIATION OF SALES WITH ADJUSTED SALES AND OF EBITDA WITH ADJUSTED OPERATING RESULT (ADJUSTED EBIT) IN 2023

€ million	**Powertrain Solutions**	**Electrification Solutions**	**Other/ Holding/ Consolidation**	**Vitesco Technologies Group**
Sales	**6,118.8**	**3,162.3**	**–47.9**	**9,233.2**
Changes in the scope of consolidation[1]	–	–	–	–
Adjusted sales	**6,118.8**	**3,162.3**	**–47.9**	**9,233.2**
EBITDA	**720.0**	**93.4**	**–65.3**	**748.1**
Depreciation , amortization, and impairment[2]	–376.4	–199.2	–0.3	–575.9
EBIT	**343.6**	**–105.8**	**–65.6**	**172.2**
Amortization of intangible assets from purchase price allocation (PPA)	–	0.1	–	0.1
Changes in the scope of consolidation[1]	–	–	–	–
sSpecial topics				
Impairment on goodwill	16.7	–	–	16.7
Impairment[3]	53.8	4.3	–	58.1
Restructuring	–21.5	–2.9	–	–24.4
Restructuring-related expenses	–2.2	–	–	–2.2
Severance payments	4.8	4.5	0.1	9.4
Gains and losses from disposals of companies and business operations	52.9	–	–	52.9
Spin-off costs	11.9	1.7	–	13.6
Expenses out of obligations in connection with emissions issues	–	–	24.7	24.7
Transaction costs for disposal of business operations	4.6	–	–	4.6
Expenses connected to the integration into Schaeffler	–	–	15.4	15.4
Adjusted operating result (adjusted EBIT)	**464.6**	**–98.1**	**–25.4**	**341.1**

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 fiscal year and for disposals in the year-over-year comparison period.
2) Excluding impairment on financial investments.
3) Impairment also includes any required reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.

RECONCILIATION OF SALES WITH ADJUSTED SALES AND OF EBITDA WITH ADJUSTED OPERATING RESULT (ADJUSTED EBIT) IN 2022

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
Sales	**6,372.3**	**2,765.8**	**–68.1**	**9,070.0**
Changes in the scope of consolidation[1]	–85.0	–0.2	0.1	–85.1
Adjusted sales	**6,287.3**	**2,765.6**	**–68.0**	**8,984.9**
EBITDA	**710.3**	**43.3**	**–50.3**	**703.3**
Depreciation, amortization, and impairment[2]	–367.2	–192.7	–0.1	–560.0
EBIT	**343.1**	**–149.4**	**–50.4**	**143.3**
Amortization of intangible assets from purchase price allocation (PPA)	–	0.4	–	0.4
Changes in the scope of consolidation[1]	1.1	0.4	0.7	2.2
sSpecial topics				
Impairment on goodwill	–	–	–	–
Impairment[3]	3.6	10.9	–	14.5
Restructuring	–22.9	30.7	–	7.8
Restructuring-related expenses	8.1	–	–	8.1
Severance payments	1.7	4.5	–	6.2
Gains and losses from disposals of companies and business operations	2.0	–	–1.2	0.8
Spin-off costs	7.4	9.4	–	16.8
Expenses from obligations in connection with emissions issues	–	–	24.2	24.2
Transaction costs for disposal of business operations	1.2	–	–	1.2
Expenses connected to the integration into Schaeffler	–	–	–	–
Adjusted operating result (adjusted EBIT)	**345.3**	**–93.1**	**–26.7**	**225.5**

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 fiscal year and for disposals in the year-over-year comparison period.
2) Excluding impairment on financial investments.
3) Impairment also includes any required reversal of impairment losses. This item does not include impairment that arose in connection with a restructuring and impairment on financial investments.

RECONCILIATION OF EBIT AND NET INCOME

€ million	**2023**	2022
Powertrain Solutions	343.6	343.1
Electrification Solutions	–105.8	–149.4
Other/Holding/Consolidation	–65.6	–50.4
EBIT	**172.2**	**143.3**
Financial result	–26.4	–45.3
Earnings before income taxes	**145.8**	**98.0**
Income tax expense	–242.2	–74.4
Net income	**–96.4**	**23.6**

RECONCILIATION WITH OPERATING ASSETS IN 2023

€ million	**Powertrain Solutions**	**Electrification Solutions**	**Other/ Holding/ Consolidation**	**Vitesco Technologies Group**
Total assets	**3,311.1**	**2,725.6**	**1,546.4**	**7,583.1**
Cash and cash equivalents	–	–	1,063.6	1,063.6
Current and non-current derivative instruments, interest-bearing investments	–	–	29.9	29.9
Other financial assets	30.5	39.8	0.2	70.5
Less financial assets	**30.5**	**39.8**	**1,093.7**	**1,164.0**
Less other non-operating assets	**–56.1**	**–18.0**	**148.4**	**74.3**
Deferred tax assets	–	–	265.8	265.8
Income tax receivables	–	–	33.0	33.0
Less income tax assets	**–**	**–**	**298.8**	**298.8**
Segment assets	**3,336.7**	**2,703.8**	**5.5**	**6,046.0**
Total liabilities and provisions	**1,897.7**	**1,657.6**	**1,176.5**	**4,731.8**
Short-term and long-term indebtedness	–	–	726.6	726.6
Payable interest and further financial liabilities	–	–	10.2	10.2
Less financial liabilities	**–**	**–**	**736.8**	**736.8**
Deferred tax liabilities	–	–	140.5	140.5
Income tax payables	–	–	94.2	94.2
Less income tax liabilities	**–**	**–**	**234.7**	**234.7**
Less other non-operating liabilities	**206.0**	**270.0**	**85.7**	**561.7**
Segment liabilities	**1,691.7**	**1,387.6**	**119.3**	**3,198.6**
Operating assets	**1,645.0**	**1,316.2**	**–113.8**	**2,847.4**

RECONCILIATION WITH OPERATING ASSETS IN 2022

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
Total assets	**3,868.5**	**2,415.5**	**1,319.7**	**7,603.7**
Cash and cash equivalents	–	–	781.1	781.1
Current and non-current derivative instruments, interest-bearing investments	–	–	44.4	44.4
Other financial assets	23.2	44.0	0.3	67.5
Less financial assets	**23.2**	**44.0**	**825.8**	**893.0**
Less other non-operating assets	**–37.9**	**–2.9**	**198.3**	**157.5**
Deferred tax assets	–	–	271.8	271.8
Income tax receivables	–	–	14.9	14.9
Less income tax assets	**–**	**–**	**286.7**	**286.7**
Segment assets	**3,883.2**	**2,374.4**	**8.9**	**6,266.5**
Total liabilities and provisions	**2,376.7**	**1,433.4**	**731.9**	**4,542.0**
Short-term and long-term indebtedness	–	–	447.7	447.7
Payable interest and further financial liabilities	–	–	3.2	3.2
Less financial liabilities	**–**	**–**	**450.9**	**450.9**
Deferred tax liabilities	–	–	41.2	41.2
Income tax payables	–	–	72.8	72.8
Less income tax liabilities	**–**	**–**	**114.0**	**114.0**
Less other non-operating liabilities	**233.2**	**223.7**	**64.7**	**521.6**
Segment liabilities	**2,143.5**	**1,209.7**	**102.3**	**3,455.5**
Operating assets	**1,739.7**	**1,164.7**	**–93.4**	**2,811.0**

2. GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

Reporting entity

Vitesco Technologies Group Aktiengesellschaft (Vitesco Technologies Group AG), based in Siemensstrasse 12, Regensburg, Germany, is the parent company of the Vitesco Technologies Group (also referred to below as Vitesco Technologies) 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, along with its subsidiaries, is a supplier to the automotive industry with worldwide operations. The areas of business and main activities in which Vitesco Technologies Group AG and its subsidiaries are engaged are described in more detail in chapter 1 (Segment Reporting). The consolidated financial statements of Vitesco Technologies Group AG for fiscal 2023 were prepared by a resolution of the Executive Board on February 29, 2024, and will be submitted to and published in the register of companies. 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 register of companies.

General, basic information

The consolidated financial statements of Vitesco Technologies Group AG as at December 31, 2023, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), 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 the 2023 fiscal year have been applied, subject to endorsement by the EU.

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

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.

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 life of intangible assets and property, plant and equipment
> impairment testing of goodwill and non-current assets, in particular the underlying cash flow forecasts and discount rates as well as the definition of cash-generating units required for this
> evaluation of criteria for development expense recognition
> assessment of terms of leases featuring renewal and termination options
> identification of inventory impairment
> assessment of the recoverability of accounts receivable and other assets
> recognition and measurement of income tax payable and deferred taxes on temporary differences as well as the recognition of deferred taxes and evaluation of their impairment
> recoverability of tax receivable
> estimate of risks from uncertain tax items
> financial-modeling parameters for share option plans as well as the recognition and measurement of liabilities and provisions, especially the actuarial parameters for pensions and other postemployment obligations
> parameters for measuring the restructuring provisions as well as the likelihood and size of warranty, process, and environmental risks

Climate-related matters were incorporated into the estimates in the 2023 fiscal year and in previous years. There were no material impacts on the consolidated financial statements of the Vitesco Technologies Group.

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.

Calculation of fair value

The calculation of the relevant fair value of a financial or non-financial asset and of liabilities is performed using a three-level model under IFRS 13 Fair Value Measurement:

> Level 1: quoted prices in active markets for identical assets and liabilities
> Level 2: quoted prices in active markets for similar assets and liabilities 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

Basis of consolidation

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 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.

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 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, 2023**	December 31, 2022	**2023**	2022
China	CNY	7.87	7.37	7.66	7.08
Czech Republic	CZK	24.71	24.15	24.00	24.56
Hungary	HUF	382.78	400.86	381.77	390.88
Japan	JPY	156.81	140.74	151.95	138.04
South Korea	KRW	1,428.58	1,344.72	1,412.96	1,357.90
Mexico	MXN	18.78	20.82	19.20	21.22
Romania	RON	4.97	4.95	4.95	4.93
United States	USD	1.11	1.07	1.08	1.05

Revenue recognition

Vitesco Technologies recognizes revenue as soon as the customer gains power of disposition over the asset or service. This is done based on a point in time or period of time. The revenue corresponds to the transaction price, which is calculated according to the rules of IFRS 15, Revenue from Contracts with Customers. Variable consideration in contracts with customers, such as rebates, bonus agreements, and other kinds of price concessions, are recognized as sales reductions. Invoices are generally prepared once a month, while the payment terms average 60 days based on the region and product group. Customers do not usually make any significant advance payments. 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 automotive original equipment business

The performance obligations to customers in the automotive original equipment business comprise 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. Revenue is almost always recognized over time using an output-based measurement method. Sales revenue is measured based on the products that leave the production plant, as the products are produced and delivered just in time.

Description of sales revenue in industrial and spare parts business

The performance obligations to customers in the industrial and spare parts business are of secondary importance to Vitesco Technologies; please refer to the descriptions of the business units in the Group Structure chapter of the combined management report. Revenue is recognized at the point in time when control is transferred to the customer, taking account of the agreed incoterms.

Research and development expenses

Research and development expenses comprise expenditure on research and development and expenses for customer-specific applications, prototypes, and testing. Where refunds from customers for research and development expenses are provided for, these costs are recognized in inventories until control is transferred. Once control is transferred, they are stated under other income.

Research and non-capitalizable development expenses are recognized as expenses immediately. Development expenses are recognized as internally generated intangible assets if the recognition criteria under IAS 38, Intangible Assets, are fulfilled. They are amortized over a period of three to five years from the date that the developed products become disposable. In addition, order-related development expenses are recognized under inventories as work in progress until invoicing.

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.

Statement of financial position classification

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

Goodwill

Any goodwill from a company acquisition is recognized at cost at first. This is calculated as the difference, in the assets, between the consideration transferred and the acquired proportional net assets measured at fair value. Goodwill is not amortized and is instead tested for impairment once a year and when there are indications of impairment (triggering event); see chapter 13 (Goodwill and Other Intangible Assets).

Other intangible assets

Acquired or internally generated intangible assets are recognized at cost. 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. Other intangible assets with indefinite useful lives are tested for any possible impairment if there are indications of it (triggering event); see chapter 13 (Goodwill and Other Intangible Assets).

Property, plant and equipment

Property, plant and equipment is recognized at cost and depreciated on a straight-line basis over its ordinary useful life. These 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. If necessary, additional impairment is recognized if there are indicators of impairment (triggering event).

Leases

As a lessee, Vitesco Technologies concludes contracts for the usage of property, plant and equipment, primarily real estate and machinery. The resulting right-of-use assets are recognized under property, plant and equipment at amortized cost.

The lease liability is initially recognized under financial liabilities at the present value of the unpaid lease payments. 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.

Inventories

Inventories are recognized at cost, taking consideration of any lower net realizable value if applicable. 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.

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.

Contracts that are concluded for the purpose of receiving or supplying non-financial items (in particular procurement contracts for electricity and gas) in accordance with the expected usage requirements of Vitesco Technologies and that are held for this purpose, are normally classified as own-consumption contracts. They are accounted for as pending transactions in accordance with IAS 37 rules.

In accordance with IFRS 9, Financial Instruments, financial assets must be allocated to one of the following measurement categories:

> Measured at cost
> Measured at fair value through other comprehensive income with reclassification (FVOCIwR)
> Measured at fair value through profit or loss (FVPL)
> Measured at fair value through other comprehensive income without reclassification (FVOCIwoR)

The classification of the financial assets is based on Vitesco Technologies' business model for managing financial assets and on the characteristics of the contractual cash flows.

Financial liabilities are allocated to one of the following measurement categories:

> Measured at cost
> Measured at fair value through profit or loss (FVPL)

The financial instruments recognized at amortized cost are mainly non-derivative financial instruments such as trade accounts receivable and payable, contract assets, debt instruments, other financial assets, cash and cash equivalents, other financial liabilities, contract liabilities, and bond-like loans against apromissory note (SSD loans).

Trade accounts receivable and contract assets

Trade accounts receivable and contract assets are held at Vitesco Technologies chiefly with an objective of collecting the nominal value. The contractual terms result in cash flows at agreed points in time that represent solely payments of principal and, if applicable, interest. They generally have contractually agreed, short-term due dates and are classified as at cost and measured at amortized cost using the effective interest method, which equals the nominal value less allowances for expected credit losses.

Other investments

Non-consolidated shares in subsidiaries and joint ventures as well as other investments are measured at fair value. For these, Vitesco Technologies exercises the option of presenting changes in the fair value of such investments in equity instruments in other comprehensive income without reclassification (FVOCIwoR).

Debt instruments

Debt instruments that are held with the aim of holding them to maturity and whose contractual cash flows are solely payments of principal and interest on the principal amount outstanding are classified as the measurement category of at cost and measured at amortized cost using the effective interest method, with the amortized cost corresponding to the nominal value less allowances for expected credit losses.

Debt instruments that are held with the aim of both selling and holding them in order to collect contractual cash flows are classified as the FVOCIwR measurement category. The fair value is provided by external valuators.

Other financial assets and cash and cash equivalents

Other financial assets and cash and cash equivalents are held with the aim of holding them to maturity and collecting their contractual cash flows and are therefore classified as the measurement category of at cost and thus recognized at amortized cost using the effective interest method, that is, the nominal amount less allowances for expected credit losses.

Other financial liabilities

Other financial liabilities are measured at amortized cost using the effective interest method, with the interest expense being recognized in line with the effective interest rate.

Derivative financial instruments and hedge accounting

Derivatives are generally allocated to the FVPL measurement category. 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).

Changes in the fair values of derivative instruments that are designated to hedge cash flows and therefore are not classified as an IFRS 9 measurement category are recognized in the cash flow hedge reserve in the difference from financial instruments in equity.

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.

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. 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 recognized if their ability to be realized in the future appears sufficiently likely.

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

Employee benefits

The employee benefits that form part of the company postretirement benefits offered by the Vitesco Technologies Group comprise both defined-benefit and defined-contribution plans.

The commitments under defined-benefit plans are actuarially measured pursuant to IAS 19, Employee Benefits, 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.

The pension provisions reported on the consolidated statement of financial position correspond to the present value of the defined-benefit obligations as at the end of the reporting period less any associated plan assets, measured at fair value.

The other postemployment benefits also shown under the employee benefits relate to obligations to pay for health care 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).

Share-based payment

Cash-settled share-based payments are measured at fair value using a Monte Carlo simulation. The provisions are recognized under employee benefits until the end of the holding period. Changes in the fair value are recognized as function costs.

Provisions for other risks and obligations

The provisions for other risks and obligations are recognized as at the end of the reporting period at the value at which the obligations could probably be settled or transferred to a third party. Non-current provisions such as those for litigation or environmental risks are discounted to their present value. The resulting periodic interest charge for the provisions is shown under the finance income, including an effect from a change in interest.

Consolidated statement of cash flows

The consolidated statement of cash flows presents the payment flows independently of the structure of the statement of financial position. Cash equivalents are short-term, highly liquid financial investments that mature in no more than three months, can be readily converted into known cash amounts, and are subject to an insignificant risk of changes in value.

Changes in cash and cash equivalents that are based on exchange rates are treated as unrealized gains and losses on the effect of exchange rate changes on cash and cash equivalents held in foreign currencies.

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.

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 European 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 2023 fiscal year and have been adopted accordingly:

Standard/interpretation		Applicable for fiscal years beginning on or after
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
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
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
IAS 12	Amendments to IAS 12, International Tax Reform – Pillar Two Model Rules (published by the IASB in May 2023)	Immediately/as of January 1, 2023
IFRS 17	IFRS 17, Insurance Contracts	January 1, 2023

The first-time adoption of the amendments does 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
IFRS 16	Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (published by the IASB in September 2022)	January 1, 2024
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, 2024
IAS 1	Amendments to IAS 1,Presentation of Financial Statements: Non-current Liabilities with Covenants (published by the IASB in October 2022)	January 1, 2024

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 7/IFRS 7	Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements (published by the IASB in May 2023)	January 1, 2024 (subject to adoption in EU law)
IAS 21	Amendments to IAS 21, Clarification of Accounting When There Is a Lack of Exchangeability (published by the IASB in August 2023)	January 1, 2025 (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 consolidated was as follows as at December 31, 2023:

	2023	2022
Number of fully consolidated companies (subsidiaries)	**29**	**32**
Domestic	8	9
Foreign	21	23
Number of joint ventures	**1**	**1**
Domestic	–	–
Foreign	1	1
Number of associated companies	**1**	**1**
Domestic	–	–
Foreign	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.

During the 2023 fiscal year, one company in Brazil and one company in Italy were sold.

In preparation for the acquisitions and disposals of further companies and business operations, two domestic companies and two foreign ones were founded and included in the scope of consolidation. These companies and a further domestic company were disposed of during the fiscal year 2023 following the completion of this disposal.

This company, Vitesco Technologies Delavan LLC, Delavan, United States was sold during fiscal year 2022. Two companies were liquidated during fiscal year 2022. Five companies were merged as part of a simplification of the Group's structure.

Further information about the composition of Vitesco Technologies is provided in chapter 42 (List of Shareholdings of the Group).

5. ACQUISITION AND DISPOSAL OF COMPANIES AND BUSINESS OPERATIONS

On December 31, 2023, a company largely associated with the Powertrain Solutions Division was disposed of with a €6.2 million loss on disposal. When classifying assets as held for sale (IFRS 5), an allowance of €49.9 million was recognized in other expenses in the third quarter of 2023. The other financial assets include €3.3 million from the sale of this company.

€ million	**2023**
Purchase price	18.3
Carrying amount of the net assets sold	–24.5
Result on disposal	**–6.2**

The Catalytic Converters and Exhaust Filters business unit was also sold on August 1, 2023, with a loss on disposal of €7.8 million. The transaction involved two companies and parts of other companies that affect the Catalytic Converters and Exhaust Filters business unit.

€ million	**2023**
Purchase price	33.2
Carrying amount of the net assets sold	–32.1
Income on disposal before income taxes and reclassification of currency conversion reserve	**1.1**
Reclassification of currency conversion reserve	–8.1
Attributable income tax expense	–0.8
Result on disposal	**–7.8**

Moreover, a company belonging to the Powertrain Solutions Division was sold on February 1, 2023. This resulted in a €39.7 million loss on disposal, broken down as follows:

€ million	2023
Purchase price	2.9
Carrying amount of the net assets sold	–15.9
Income on disposal sale before reclassification of currency conversion reserve	**–13.0**
Reclassification of currency conversion reserve	–26.7
Result on disposal	**–39.7**

In addition, an other investment was sold on October 27, 2023, for a purchase price of €13.1 million. The remeasurement was done in other comprehensive income in an amount of €4.5 million.

There were no further material impacts on the earnings, finances, or assets of the Vitesco Technologies Group in connection with the sale of companies and business units as at December 31, 2023.

Further information about the sale of companies and business operations where the transaction is still yet to close is provided in Chapter 24 (Assets Held for Sale).

A company belonging to the Powertrain Solutions Division was sold on February 22, 2022. The sale produced a gain of €3.1 million, composed as follows:

€ million	2022
Purchase price	11.0
Carrying amount of the net assets sold	–8.9
Income on disposal before income taxes and reclassification of currency conversion reserve	**2.1**
Reclassification of currency conversion reserve	1.2
Attributable income tax expense	–0.2
Result on disposal	**3.1**

There were no further material impacts on the earnings, finances, or assets of the Vitesco Technologies Group in connection with the sale of the company as at December 31, 2022.

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	**2023**	2022
Sales	9,233.2	9,070.0
Other revenues from research and development	340.6	344.8
Other revenues	6.3	7.6
Revenues from contracts with customers	**9,580.1**	**9,422.4**
Government grants[1]	24.7	25.8
Sale of property, plant and equipment	22.4	10.6
Other ancillary business	8.3	7.6
Sale of energy and scrap	3.4	3.4
Revenues from other sources	**58.8**	**47.4**
Total revenues	**9,638.9**	**9,469.8**

1) Government grants in connection with the COVID-19 pandemic are not included in this overview.

SALES FROM CONTRACTS WITH CUSTOMERS FROM JANUARY 1 TO DECEMBER 31 2023

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
Germany	1,009.4	792.9	1.4	1,803.7
Europe excluding Germany	1,752.8	680.0	–31.0	2,401.8
North America	1,637.6	531.6	4.0	2,173.2
Asia	1,624.2	1,126.4	–22.2	2,728.4
Other countries	94.8	31.4	–0.1	126.1
Sales by region	**6,118.8**	**3,162.3**	**–47.9**	**9,233.2**
Automotive original-equipment business	5,629.5	3,162.3	–47.9	8,743.9
Industrial/replacement business	489.3	–	–	489.3
Sales by customer type	**6,118.8**	**3,162.3**	**–47.9**	**9,233.2**

SALES FROM CONTRACTS WITH CUSTOMERS FROM JANUARY 1 TO DECEMBER 31, 2022

€ million	Powertrain Solutions	Electrification Solutions	Other/ Holding/ Consolidation	Vitesco Technologies Group
Germany	978.1	683.7	–14.7	1,647.1
Europe excluding Germany	1,706.7	763.5	–28.0	2,442.2
North America	1,804.2	561.9	–5.6	2,360.5
Asia	1,782.0	743.6	–19.6	2,506.0
Other countries	101.3	13.1	–0.2	114.2
Sales by region	**6,372.3**	**2,765.8**	**–68.1**	**9,070.0**
Automotive original-equipment business	5,897.4	2,765.8	–68.1	8,595.1
Industrial/replacement business	474.9	–	–	474.9
Sales by customer type	**6,372.3**	**2,765.8**	**–68.1**	**9,070.0**

Revenue from research and development is presented in Chapter 7 (Research and Development Expenses) 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 the Vitesco Technologies Group 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, 2023**	December 31, 2022
Contract assets	3.3	0.5

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, 2023**	December 31, 2022
Contract liabilities	134.1	142.9

Current contract liabilities of €48.6 million accounted for at the beginning of 2023 were recognized as revenue during the fiscal year. In fiscal year 2022, all of the current contract liabilities of €54.5 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 during the fiscal year.

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	2024	2025 onward
Revenue from research and development	40.5	31.5

The amounts relate chiefly to future revenue from research and development. 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 €20.9 million (previous year: €23.3 million).

	2023		
€ million	Powertrain Solutions	Electrification Solutions	Vitesco Technologies Group
Research and development costs	–473.2	–547.0	–1,020.2
Other revenue from research and development	71.3	269.3	340.6
Research and development costs (net)	**–401.9**	**–277.7**	**–679.6**

	2022		
€ million	Powertrain Solutions	Electrification Solutions	Vitesco Technologies Group
Research and development costs	–407.1	–598.1	–1,005.2
Other revenue from research and development	90.2	254.6	344.8
Research and development costs (net)	**–316.9**	**–343.5**	**–660.4**

8. OTHER INCOME AND EXPENSES

€ million	2023	2022
Other income	553.7	592.1
Other expenses	–372.7	–248.9
Other income and expenses	**181.0**	**343.2**

OTHER INCOME

€ million	2023	2022
Income from research and development	340.6	344.8
Income from the reversal of provisions	91.6	140.0
Compensation from customers and suppliers	30.2	21.4
Income from the disposal of property, plant and equipment	22.5	10.7
Income from the reversal of impairment on financial assets and contract assets	21.2	14.4
Income from the reimbursement of customer tooling expenses	6.3	7.6
Income from the reversal of provisions for severance payments	3.2	3.4
Income from the reversal of provisions for litigation and environmental risks	1.4	4.9
Reversal of impairment losses on property, plant and equipment	0.3	0.2
Income from the disposal of companies and business operations	–	3.4
Miscellaneous	36.4	41.3
Other income	**553.7**	**592.1**

The miscellaneous item primarily includes revenue from the allocation of costs of services to the Continental Group, insurance commission fees, refunds of other taxation, and government grants.

OTHER EXPENSES

€ million	2023	2022
Expenses from the disposal of companies and business operations	102.8	–
Additions to specified warranties and provisions for restructuring measures	71.2	122.0
Expenses from impairment on financial assets and contract assets	25.2	18.0
Expenses from obligations in connection with emissions issues	24.7	24.2
Compensation to customers and suppliers	18.7	9.3
Impairment on goodwill	16.7	–
Expenses connected to the integration into Schaeffler	15.4	–
Expenses from severance payments	12.7	9.3
Expenses from currency translation	11.1	–
Losses on the disposal of property, plant and equipment, and from scrapping	10.7	8.4
Impairment of property, plant and equipment and intangible assets	10.5	15.5
Expenses from customer tooling	2.5	6.9
Incidental acquisition costs from acquisitions of companies and business operations	2.2	–
Additions to provisions for litigation and environmental risks	0.8	1.1
Miscellaneous	47.5	34.2
Other expenses	**372.7**	**248.9**

The disposal of companies and business units during the fiscal year 2023 resulted in expenses of €102.8 million (previous year: income of €3.4 million). This includes the sale of the Catalytic Converters and Exhaust Filters business unit and two companies belonging to the Powertrain Solutions Division as well as an impairment loss on assets held for sale in the Powertrain Solutions Division. For further details, please refer to our explanations in chapter 5 (Acquisition and Disposal of Companies and Business Operations).

Among other things, the miscellaneous item includes expenses for other taxation as well as allocation of costs of services from the Continental Group.

9. PERSONNEL EXPENSES

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

€ million	2023	2022
Wages and salaries	1,826.4	1,687.6
Social-security contributions	343.5	342.6
Pension and postemployment benefit costs	60.8	82.7
Personnel expenses	**2,230.7**	**2,112.9**

Compared with the fiscal year 2022, personnel expenses increased by €117.8 million to €2,230.7 million (previous year: €2,112.9 million). The average number of employees in the 2023 fiscal year was 37,421 (previous year: 37,964). As at the end of the year, there were 35,528 (previous year: 38,043) people who were employed within the Vitesco Technologies Group.

10. INCOME FROM INVESTMENTS

€ million	**2023**	2022
Income from equity-accounted investees	2.3	1.3

Income from investments includes the share of income from equity-accounted investees in the amount of €2.3 million (previous year: €1.3 million). There was no other income from investments.

11. FINANCIAL RESULT

€ million	**2023**	2022
Interest and similar income	25.5	39.0
Expected income from long-term employee benefits and from defined benefit assets	10.9	5.4
Interest income	**36.4**	**44.4**
Interest and similar expenses	–21.7	–33.8
Interest expenses from lease liabilities	–4.0	–4.2
Compounding/discounting of non-current provisions and liabilities	–5.0	12.5
Interest expense from long-term employee benefits	–26.8	–16.3
Interest expense	**–57.5**	**–41.8**
Effects from currency translation	**–4.2**	**–53.5**
Effects from changes in the fair value of derivative instruments	–3.0	7.7
Other valuation effects	1.9	–2.1
Effects from changes in the fair value of derivative instruments, and other valuation effects	**–1.1**	**5.6**
Financial result	**–26.4**	**–45.3**

The “Effects from currency translation” item comprises the effects from currency conversion for internal loans and associated financial hedging transactions.

The “Compounding/discounting of non-current provisions and liabilities” item contains the effects from discounting as a result of interest rate changes for long-term provisions and liabilities.

12. INCOME TAX EXPENSE

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

€ million	2023	2022
Current taxes (domestic)	–43.2	–22.4
Current taxes (foreign)	–100.9	–86.5
Deferred taxes (domestic)	–153.1	17.5
Deferred taxes (foreign)	55.0	17.0
Income tax expense	**–242.2**	**–74.4**

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

€ million	2023	2022
Earnings before income tax	**145.8**	**98.0**
Expected tax expense at the domestic tax rate	–44.7	–30.1
Tax rate differences (foreign)	27.2	21.6
Non-deductible expenses and non-imputable withholding taxes	–59.7	–41.4
Incentives and tax holidays	33.9	43.7
Taxes for previous years	0.0	–3.8
Non-recognition of deferred tax assets unlikely to be realized	–165.1	–62.1
Change in permanent differences	0.0	–0.4
Realization of previously non-recognized deferred taxes	4.4	10.0
Tax impact from equity-accounted investmees	–0.7	–0.3
Local income tax with different tax base	–11.5	–11.3
Effects from changes in enacted tax rate	4.8	–0.2
Effects from disposals or impairment of business units and investments	–30.9	–
Other	0.2	–0.1
Income tax expense	**–242.2**	**–74.4**
Effective tax rate in %	**166.2**	**75.9**

The average domestic tax rate in the 2023 fiscal year was 30.7% (previous year: 30.7%). This took into account a corporate 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 significant reduction of the tax burden and are mainly attributable to the extent of business in China and the High & New Technology Enterprise (HNTE) status enjoyed by the subsidiaries with active operations.

The tax ratio was substantially impacted by non-cash allowances for deferred tax assets totaling €165.1 million (previous year: €62.1 million), of which €3.8 million (previous year: €15.6 million) was relief for previous years. The allowance mainly relates to the allowance for deferred tax assets on tax losses carried forward in the German companies totaling €248.4 million (previous year: €153.8 million). The realization of previously unrecognized deferred taxes leads to relief of €4.4 million (previous year: €10.0 million) and pertains to the usage of tax losses carried forward in Romania and Germany for which allowances exist. Furthermore, as in the previous year, the tax ratio was negatively affected by nondeductible expenses and non-imputable foreign withholding taxes.

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. During the fiscal year, local income taxes with a different tax base totaling €11.5 million (previous year: expense of €11.3 million) led to an increase in tax expenditure. These taxes were mainly the Base Erosion and Anti-Abuse Tax (BEAT) in the US. An increase in the tax rate in the Czech Republic starting in the 2024 fiscal year will result in relief of €4.8 million from the remeasurement of deferred tax assets.

The sales of companies in Italy and Brazil and of the Catalytic Converters and Exhaust Filters business unit, which occurred in the fiscal year 2023, had a negative effect of €30.9 million.

An actual tax expense was incurred for previous years in the fiscal year 2023 and amounted to €14.6 million (previous year: €2.4 million). The income on deferred income taxes for previous years in the fiscal year 2023 came to €14.6 million (previous year: expense of €1.4 million).

The BEPS Pillar 2 regulations (MinBestRL-UmsG) had already been transposed into German law (MinStG) as at the end of the reporting period and are applicable from January 1, 2024. The Vitesco Technologies Group falls within the scope of these regulations.

The minimum tax is imposed at the level of INA-Holding Schaeffler GmbH & Co. KG, Herzogenaurach, acting as the parent company of the IHO Group and the ultimate parent entity. Vitesco Technologies Group AG acts as the parent company of the Vitesco Technologies subgroup as a “partially owned parent entity.”

INA-Holding Schaeffler GmbH & Co. KG conducted an analysis to determine the impact as well as the jurisdictions from which Vitesco Technologies is exposed to potential effects in connection with a Pillar 2 top-up tax. The analysis was done based on the financial information in the consolidated financial statements as at December 31, 2023, and indicative findings from the data as at December 31, 2022, taking into account the CbCR safe harbors and a calculation of the effective tax rate based on this.

Based on this first indicative analysis, the Vitesco Technologies Group will not be subject to any significant minimum tax.

The Vitesco Technologies Group applies the temporary, mandatory exemption for the recognition of deferred taxes arising from the implementation of global minimum taxation and recognizes them as actual income taxes at the time they arise.

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

€ million	December 31, 2023	December 31, 2022
Income tax expense (acc. to consolidated statement of income)	**–242.2**	**–74.4**
Tax income on other comprehensive income	**17.1**	**–23.2**
Remeasurement of defined benefit plans	15.8	–20.3
Cash flow hedges	1.2	–2.7
Currency translation	0.1	–0.2
Total income tax expense	**–225.1**	**–97.6**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

13. GOODWILL AND OTHER INTANGIBLE ASSETS

€ million	Goodwill	Capitalized develop-ment expenses[1]	Other intangible assets	Advances to suppliers	Total other intangible assets
As at January 1, 2022					
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**
Net change in 2022					
Carrying amounts	**803.0**	**151.2**	**20.3**	**2.0**	**173.5**
Exchange rate changes	**13.1**	–	–	–	**–**
Additions	**–**	75.7	7.7	0.2	**83.6**
Reclassification to/from assets held for sale	**–**	–4.8	–0.1	–	**–4.9**
Transfers	**–**	–	1.7	–1.7	**–**
Depreciation, amortization and impairment	**–**	–33.3	–7.5	–	**–40.8**
Carrying amounts	**816.1**	**188.8**	**22.1**	**0.5**	**211.4**
As at December 31, 2022					
Cost	**2,231.5**	346.4	134.6	0.5	**481.5**
Accumulated depreciation	**–1,415.4**	–157.6	–112.5	–	**–270.1**
Carrying amounts	**816.1**	**188.8**	**22.1**	**0.5**	**211.4**
Net change in 2023					
Carrying amounts	**816.1**	**188.8**	**22.1**	**0.5**	**211.4**
Exchange rate changes	**–13.1**	–2.2	–0.2	–	**–2.4**
Additions	**–**	162.7	2.6	0.3	**165.6**
Reclassification to/from assets held for sale	**–**	–3.1	–0.5	–	**–3.6**
Transfers	**–**	–	0.3	–0.3	**–**
Disposals	**–**	–	–	–0.1	**–0.1**
Depreciation and amortization	**–**	–28.6	–6.6	–	**–35.2**
Impairment	**–16.7**	–	–	–	**–**
Carrying amounts	**786.3**	**317.6**	**17.7**	**0.4**	**335.7**
As at December 31, 2023					
Cost	**2,212.7**	468.7	127.5	0.4	**596.6**
Accumulated depreciation	**–1,426.4**	–151.1	–109.8	–	**–260.9**
Carrying amounts	**786.3**	**317.6**	**17.7**	**0.4**	**335.7**

1) Excluding development expenses for internally generated software.

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).

Capitalized goodwill is also tested for impairment at the level of the cash-generating units (CGUs) once per year as at November 30. 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 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). The higher amount is the value in use calculated on the basis of discounted cash flows before interest and tax.

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, commodity 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.

The Vitesco Technologies Group’s previous four Divisions – Electronic Controls, Electrification Technology, Sensing & Actuation, and Contract Manufacturing – were merged into two newly organized units on January 1, 2023: the Powertrain Solutions Division and the Electrification Solutions Division. Below the Divisions, there are clearly allocated business units and product lines. Due to the reorganization, there was also a reallocation of goodwill based on the relative values of the cash-generating units.

The following are the main input parameters and assumptions concerning the growth and discount rates for determining the recoverable amount:

Main input parameters as %	2023	2022
WACC (pre-tax)	12.8	13.3
Risk-free rate	2.6	1.8
Market risk premium	7.3	8.0

Growth rates as %	Detailed period planning	Perpetuity
Organizational structure until December 31, 2022		
Electronic Controls	1.2	1.0
Electrification Technology - HVD	23.9	1.0
Electrification Technology - MHD	31.9	1.0
Sensing & Actuation	–0.9	1.0
Contract Manufacturing	–100.0	–
Organizational structure from January 1, 2023		
Actuation	–6.5	–1.0
Hydraulics & Turbocharger	–27.8	–1.0
Contract Manufacturing	–100.0	–
Sensorics & Controls	–1.4	–1.0
Aftermarket & Non-Automotive	15.4	–1.0
Electric Drive Systems	22.2	1.0
Controls	16.6	1.0

The pre-tax rate (pre-tax weighted average cost of capital; pre-tax WACC) is based on the average capital structure of the relevant peer group over the past five years. 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. These growth rates do not exceed the long-term average growth rates for the markets in which the CGUs operate.

The table below shows the goodwill of each CGU in line with the current organizational structure and the structure applicable in the previous year:

	Goodwill	
€ million	**December 31, 2023**	December 31, 2022
Organizational structure until December 31, 2022		
Electronic Controls	–	492.4
Sensing & Actuation	–	323.7
Organizational structure from January 1, 2023		
Actuation	107.2	–
Sensorics & Controls	350.6	–
Aftermarket & Non-Automotive	76.5	–
Electric Drive Systems	41.4	–
Controls	210.6	–
Vitesco Technologies Group	**786.3**	**816.1**

There were indications of possible impairment (triggering events) as at March 31, 2023. Due to these indications and other key assumptions for determining the recoverable amount (value in use) of a cash-generating unit, such as free cash flow, the discount rate, the discount rate’s parameters and sustainable growth rates, goodwill in the Hydraulics & Turbocharger cash-generating unit was impaired by €16.7 million (previous year: −). The impairment loss is recognized in other expenses. The calculation of the recoverable amount produced a value of €171.8 million as at March 31, 2023. The pre-tax WACC as at March 31, 2023, was 11.8%.

The annual impairment testing of goodwill found no need for further write-downs in the 2023 fiscal year.

Assuming a 0.5 percentage point increase in the discount rate would also 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.

Additions to other intangible assets related mainly to software in the amount of €2.6 million (previous year: €7.6 million). This is included in the other intangible assets at a carrying amount of €16.7 million (previous year: €20.4 million) and is amortized on a straight-line basis. The additions also include the green power certificates purchased.

Of the total development costs incurred in fiscal year 2023, €162.7 million (previous year: €75.7 million) qualified for recognition as an asset under IAS 38, Intangible Assets.

Amortization of other intangible assets amounted to €35.2 million (previous year: €40.8 million). Of this, €28.2 million (previous year: €32.6 million) is included in the consolidated statement of income under the cost of sales and €7.0 million (previous year: €8.2 million) under administrative expenses

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

Please refer to Chapter 8 (Other Income and Expenses) for information regarding impairment losses.

14. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment, excluding right-of-use assets, increased by €58.2 million year-over-year to €497.0 million (previous year: €438.8 million).

Government investment grants of €13.7 million (previous year: €13.3 million) were deducted directly from cost.

Capital expenditure as a whole increased by €43.3 million year-on-year to €536.0 million (previous year: €492.7 million). Capital expenditure in total is equivalent to 5.8% (previous year: 5.4%) of sales revenue.

There was extensive capital expenditure in all of the Company’s key markets. In Europe, production capacity was expanded further with a particular focus on the Czech Republic, Hungary, and Romania. In the US and Mexico, the capital expenditure exhibited a significant year-over-year increase. A large part also went toward expanding production capacity at sites in Asia, with a significant increase being seen in South Korea. Capital expenditure relating to the carve-out from the Continental Group continued to decline, however capital expenditure from the acquisition of production facilities from the Continental Group and from the expansion of in-house development and quality laboratories within the Vitesco Technologies Group remained significant.

The long-term strategy of winding back capital expenditure on combustion engines and focusing on electrification business continued with greater intensity in 2023.

In the Powertrain Solutions Division, capital expenditure was made primarily in the Actuation and Sensorics & Controls business units. Capital expenditure on the Hydraulics & Turbocharger business unit continued to drop, in association with the strategic decision made in 2019 to move the Company’s product portfolio toward innovative and efficient electrification solutions for all vehicle types. The share of capital expenditure from the acquisition of production facilities from the Continental Group remained high at Hydraulics & Turbocharger as well as Sensorics & Controls in 2023. Overall, the division’s capital expenditure was slightly below the previous year’s level.

The Electrification Solutions Division continued the buildup of production capacity in the Electric Drive Systems and Controls business units in all regions. A doubling of capital expenditure on the high-voltage electronics and high-voltage electric drive product lines as well as charging and energy control systems was recorded. This also includes production facilities for the fourth generation of the EMR4 integrated final drive and for the new generation of high-voltage inverters, for which Vitesco Technologies uses the latest semiconductor technology based on silicon carbide (SiC).

A rising need for capital expenditure was also seen for vehicle and battery management systems and thermal management solutions. Capital expenditure on electronic motor and drive control systems continued to be driven at a high level in all regions. This expenditure included the development of production facilities for a new generation of transmission control units in Asia and Europe. The increase in capital expenditure in the North America should be emphasized in this context. Overall, the Electrification Solutions Division’s capital expenditure was significantly above the previous year’s level.

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 15 (Leases) 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 factory and office equipment	Advances to suppliers and assets under construction	Total
As at January 1, 2022					
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**
Net change in 2022					
Carrying amounts	**357.0**	**1,489.1**	**114.3**	**342.5**	**2,302.9**
Exchange rate changes	3.8	10.4	1.8	–1.4	**14.6**
Additions	12.2	105.8	24.9	295.9	**438.8**
Reclassification to/from assets held for sale	–12.5	–33.5	–3.8	–12.8	**–62.6**
Transfers	7.9	193.3	13.9	–215.1	**–**
Disposals	–0.4	–39.9	–1.6	–0.1	**–42.0**
Depreciation and amortization	–32.4	–386.7	–37.7	–	**–456.8**
Impairment[1]	–1.9	–10.5	–0.1	–2.6	**–15.1**
Carrying amounts	**333.7**	**1,328.0**	**111.7**	**406.4**	**2,179.8**
As at December 31, 2022					
Cost	687.5	4,438.6	575.5	411.2	**6,112.8**
Accumulated depreciation	–353.8	–3,110.6	–463.8	–4.8	**–3,933.0**
Carrying amounts	**333.7**	**1,328.0**	**111.7**	**406.4**	**2,179.8**
Net change in 2023					
Carrying amounts	**333.7**	**1,328.0**	**111.7**	**406.4**	**2,179.8**
Exchange rate changes	–0.9	–31.0	–2.1	–7.7	**–41.7**
Additions	10.8	112.6	35.5	338.1	**497.0**
Reclassification to/from assets held for sale	–14.9	–64.6	–1.7	–15.0	**–96.2**
Transfers	22.4	242.5	19.3	–284.2	**–**
Disposals	–2.0	–45.9	–0.6	–	**–48.5**
Depreciation and amortization	–30.6	–351.6	–34.8	–	**–417.0**
Impairment[1]	–	–9.5	–	–0.6	**–10.1**
Carrying amounts	**318.5**	**1,180.5**	**127.3**	**437.0**	**2,063.3**
As at December 31, 2023					
Cost	667.2	4,021.0	564.6	442.7	**5,695.5**
Accumulated depreciation	–348.7	–2,840.5	–437.3	–5.7	**–3,632.2**
Carrying amounts	**318.5**	**1,180.5**	**127.3**	**437.0**	**2,063.3**

1) Impairment also includes any required reversal of impairment losses.

15. 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 €36.2 million in the fiscal year (previous year: €46.0 million). These resulted mainly from additions to land and buildings in the amount of €26.1 million (previous year: €39.6 million) and from additions to other equipment and factory and office equipment in the amount of €9.1 million (previous year: €6.1 million).

The right-of-use assets recognized as at December 31, 2023, amounted to €216.4 million (previous year: €234.8 million) and correspond to approximately 9.5% (previous year: 9.7%) of all property, plant and equipment of the Vitesco Technologies Group. The weighted average lease term is approximately 8 years (previous year prox. 8 years) for right-of-use assets for land and buildings, approximately 6 years (previous year prox. 6 years) for right-of-use assets for technical equipment and machinery, and approximately 4 years (previous year prox. 4 years) for right-of-use assets for other equipment and factory and office equipment.

Right-of-use assets developed as follows during the fiscal year:

€ 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
As at January 1, 2022				
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**
Net change in 2022				
Carrying amounts	**227.4**	**2.8**	**11.8**	**242.0**
Exchange rate changes	–0.8	–	0.3	**–0.5**
Additions	39.6	0.3	6.1	**46.0**
Reclassification to/from assets held for sale	–0.4	–	–1.2	**–1.6**
Transfers	–	0.7	–0.7	**–**
Disposals	–3.4	–	–0.3	**–3.7**
Depreciation and amortization	–41.0	–0.7	–5.5	**–47.2**
Impairment[1]	–0.2	–	–	**–0.2**
Carrying amounts	**221.2**	**3.1**	**10.5**	**234.8**
As at December 31, 2022				
Cost	330.6	4.8	20.1	**355.5**
Accumulated depreciation	–109.4	–1.7	–9.6	**–120.7**
Carrying amounts	**221.2**	**3.1**	**10.5**	**234.8**
Net change in 2023				
Carrying amounts	**221.2**	**3.1**	**10.5**	**234.8**
Exchange rate changes	–5.1	–	–0.1	**–5.2**
Additions	26.1	1.0	9.1	**36.2**
Reclassification to/from assets held for sale	–0.1	–	–0.4	**–0.5**
Disposals	–1.6	–	–0.2	**–1.8**
Depreciation and amortization	–40.3	–0.7	–6.1	**–47.1**
Carrying amounts	**200.2**	**3.4**	**12.8**	**216.4**
As at December 31, 2023				
Cost	320.5	5.4	23.5	**349.4**
Accumulated depreciation	–120.3	–2.0	–10.7	**–133.0**
Carrying amounts	**200.2**	**3.4**	**12.8**	**216.4**

1) Impairment also includes any required reversal of impairment losses.

Lease liabilities

As at the end of the reporting period, lease liabilities amounted to €219.9 million (previous year: €236.8 million). Future cash outflows resulting from leases are shown in the following table:

€ million	2023	2022
Less than one year	47.1	46.9
One to two years	41.3	41.1
Two to three years	34.6	35.7
Three to four years	30.0	29.3
Four to five years	23.2	26.1
More than five years	60.0	77.5
Total undiscounted lease liabilities	**236.2**	**256.6**
Lease liabilities as at December 31	**219.9**	**236.8**
Current	42.5	44.0
Non-current	177.4	192.8

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

€ million	2023	2022
Interest expenses on lease liabilities	4.0	4.2
Expenses relating to short-term leases	3.7	1.7
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	0.4	0.6
Expenses from variable lease payments not included in the measurement of lease liabilities	456.2	619.4

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

€ million	2023	2022
Cash outflow for leases	509.5	674.6

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, 2023, 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 Vitesco Technologies 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 €118.5 million (previous year: €103.7 million) from such options were not included in the measurement of lease liabilities. Potential future cash outflows of €362.3 million (previous year: €619.8 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-over-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 €18.7 million (previous year: €6.2 million).

Contract manufacturing for the Continental Group

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 €456.2 million (previous year: €619.4 million). The Vitesco Technologies Group expects future cash outflows for variable lease payments based on contract manufacturing to be €362.3 million (previous year: €619.8 million) for the remaining lease terms.

Vitesco Technologies Group as lessor

The Vitesco Technologies 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 €0.2 million (previous year: €0.7 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	**2023**	2022
Less than one year	–	0.1
One to two years	–	–
Total undiscounted lease payments	**–**	**0.1**

Contract manufacturing for the Continental Group

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 €556.6 million (previous year: €837.6 million).

16. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

The Vitesco Technologies Group has the following interests in joint ventures and associates. Viewed together and individually, they are not of material significance for the Vitesco Technologies Group.

Joint ventures:

€ million	**2023**	2022
As at January 1	**11.2**	**11.0**
Share of income	0.5	0.2
Changes in other comprehensive income	0.2	–
As at December 31	**11.9**	**11.2**

Associates

€ million	**2023**	2022
As at January 1	**7.0**	**5.9**
Share of income	1.8	1.1
Changes in other comprehensive income	–0.5	–
As at December 31	**8.3**	**7.0**

17. OTHER INVESTMENTS

€ million	December 31, 2023	December 31, 2022
Investments in unconsolidated affiliated companies	0.1	0.1
Other participations	15.1	23.7
Other investments	**15.2**	**23.8**

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

The year-over-year change in the carrying amount, which came to €8.6 million, resulted from the disposal of an “other investment” of 1.7% in GaN Systems Inc., Ottawa, Canada, on October 27, 2023. Further information about the disposal of the other investment is provided in chapter 5 (Acquisition and Disposal of Companies and Business Operations).

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

18. DEFERRED TAXES

Deferred taxes developed as follows:

	December 31, 2023						December 31, 2022
€ million	**Deferred tax assets**	**Deferred tax liabilities**	**Net**	**Recognized in profit or loss**	**Recognized in equity**	**Recognized in other comprehensive income**	Net
Goodwill and other intangible assets	218.9	–377.8	–158.9	–10.5	0.3	–0.4	–148.3
Property, plant and equipment	68.9	–74.9	–6.0	8.0	–3.0	–	–11.0
Inventories	39.5	–2.6	36.9	5.7	–1.0	0.1	32.1
Other assets	19.3	–16.8	2.5	–47.9	–4.4	–	54.8
Employee benefits less defined benefit assets	98.1	–5.1	93.0	57.0	0.1	15.9	20.0
Provisions for other risks and obligations	103.2	–2.5	100.7	–20.0	–17.9	0.2	138.4
Indebtedness and other financial liabilities	48.4	–7.0	41.4	–1.0	–0.1	1.3	41.2
Other differences	11.3	–4.3	7.0	11.1	0.8	–	–4.9
Allowable tax credits	5.1	–	5.1	–0.8	–	–	5.9
Tax losses carried forward and limitation of interest	413.7	–	413.7	64.4	10.0	1.1	338.2
Impairment	–410.1	–	–410.1	–164.1	–10.0	–0.2	–235.8
Deferred taxes (before offsetting)	**616.3**	**–491.0**	**125.3**	**–98.1**	**–25.2**	**18.0**	**230.6**
Offsetting (IAS 12.74)	–350.5	350.5	–				–
Net deferred taxes	**265.8**	**–140.5**	**125.3**				**230.6**

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 €6.0 million at €265.8 million (previous year: €271.8 million). This is in particular due to an increase of €174.3 million in the allowance for deferred tax assets, of which a significant amount is attributable to the allowance for deferred tax assets on tax losses carried forward in Germany. The deferred tax assets on intangible assets moved in a different direction and increased by €36.0 million due to the capitalization of research and development expenses in the US and by €53.7 million for employee benefits.

Deferred tax liabilities increased by €99.3 million year-over-year to €140.5 million (previous year: €41.2 million). This was mainly triggered by the first-time recognition of deferred tax liabilities of €125.6 million at Vitesco Technologies GmbH, Regensburg. Due to the allowance for deferred tax assets on tax losses carried forward in Germany, the potential for offsetting deferred tax liabilities has ceased to apply. In contrast, deferred tax liabilities on employee benefits decreased by €19.3 million. The increase in deferred tax assets and decline in deferred tax liabilities for employee benefits was primarily the result of lower interest when calculating pension provisions.

As at December 31, 2023, the corporate tax losses carried forward in the Vitesco Technologies Group, in Germany and abroad, amounted to €1,838.37 million (previous year: €1,324.1 million). Of these losses, €1,452.5 million (previous year: €853.4 million) did not have any deferred tax assets recognized for them as at December 31, 2023. The Vitesco Technologies Group's carried-forward losses totaling €320.4 million (previous year: €1,019.7 million) can be carried forward without time or amount restrictions. The decrease in losses that can be carried forward without time or amount limits results mainly from the expected derecognition of tax losses carried forward through a restructuring measure at Vitesco Technologies Group AG, which is planned for the 2024 financial year. Carried-forward losses totaling €1,461.5 million (previous year: €304.3 million) will expire within the next nine years if they are not used. Temporary differences amounting to €326.1 million (previous year: €129.0 million) did not have any deferred tax assets recognized for them.

The taxes recognized in other comprehensive income mainly involve deferred taxes that are associated with the sale of companies in Brazil and Italy as well as the share of as assets classified as held for sale and attributable to the catalytic converters business.

Valuation allowances were up by a total of €174.3 million at €410.1 million (previous year: €235.8 million). The driving factor for this is primarily the allowance for deferred tax assets on tax losses carried forward in Germany, as explained above in this chapter.

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, 2023**	December 31, 2022
Temporary differences	–77.9	–26.3
Tax losses carried forward and limitation of interest deduction	–332.2	–209.5
Total unrecognized deferred tax assets	**–410.1**	**–235.8**

As at December 31, 2023, some Group companies and tax groups that reported a loss in the current or previous fiscal year recognized total deferred tax assets of €125.2 million (previous year: €65.9 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 Vitesco Technologies Group subsidiaries, which were €13.2 million (previous year: €11.8 million). This is because the profits cannot be distributed within the foreseeable future. As it is not foreseeable that temporary differences will be reversed in the future through the disposal or liquidation of individual Group companies, deferred tax liabilities are not recognized.

19. OTHER FINANCIAL ASSETS

	December 31, 2023		December 31, 2022	
€ million	**Current**	**Non-current**	Current	Non-current
Amounts receivable from related parties	4.8	0.1	4.7	0.1
Loans to third parties	–	24.5	–	6.0
Amounts receivable from employees	2.0	–	2.5	–
Other amounts receivable	76.0	2.7	69.0	3.8
Other financial assets	**82.8**	**27.3**	**76.2**	**9.9**

Loans to third parties mainly comprise 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 expenses 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.

20. OTHER ASSETS

	December 31, 2023		December 31, 2022	
€ million	**Current**	**Non-current**	Current	Non-current
Tax-refund claims (incl. VAT and other taxes)	117.6	–	178.5	–
Trade accounts receivable from the sale of customer tools	46.7	–	42.3	–
Prepaid expenses	55.9	–	61.5	–
Miscellaneous	32.0	5.3	38.6	8.7
Other assets	**252.2**	**5.3**	**320.9**	**8.7**

The tax refund claims resulted from, among other things, VAT receivables in Mexico.

The trade accounts receivable from the sale of customer tools relate 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.

Valuation allowances totaling €0.1 million (previous year: €11.8 million) are recognized for the default risk on other assets.

21. INVENTORIES

€ million	December 31, 2023	December 31, 2022
Raw materials and supplies	561.3	573.9
Work in progress	124.1	128.9
Finished goods and merchandise	139.7	124.4
Inventories	**825.1**	**827.2**

Write-downs recognized on inventories decreased by €11.0 million to €153.7 million (previous year: €164.7 million).

22. TRADE ACCOUNTS RECEIVABLE

€ million	December 31, 2023	December 31, 2022
Trade accounts receivable	1,564.1	1,648.3
Allowances for doubtful accounts	–18.1	–16.9
Trade accounts receivable	**1,546.0**	**1,631.4**

The carrying amounts of the trade accounts receivable, 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 accounts receivable.

23. 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 €1,063.6 million (previous year: €781.1 million). Of that, €1,027.0 million (previous year: €750.1 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).

24. ASSETS HELD FOR SALE

€ million	December 31, 2023	December 31, 2022
Other intangible assets	–	4.8
Property, plant and equipment	0.1	56.3
Other non-current financial assets	–	0.1
Others	–	0.3
Non-current assets	**0.1**	**61.5**
Inventories	–	25.3
Trade accounts receivable	–	18.1
Cash and cash equivalents	–	7.3
Others	–	9.6
Current assets	**–**	**60.3**
Assets held for sale	**0.1**	**121.8**

€ million	December 31, 2023	December 31, 2022
Long-term employee benefits	–	46.4
Others	–	2.9
Non-current liabilities	**–**	**49.3**
Trade accounts payable	–	20.4
Others	–	8.3
Current liabilities	**–**	**28.7**
Liabilities held for sale	**–**	**78.0**

In the previous year, assets for the production of catalytic converters and exhaust filters of a net amount of €29.1 million were classified as assets held for sale. The transaction was closed on August 1, 2023.

In the first quarter of 2023, the sale of the Brazilian company, with assets recognized as assets held for sale at a net amount of €14.7 million in the previous year, was finalized.

Further information about the assets held for sale (net) of €43.8 million in the previous year can be found in the annual report as at December 31, 2022.

25. EQUITY

Number of shares outstanding	2023	2022
As at January 1	**40,021,196**	**40,021,196**
Change in the period	–	–
As at December 31	**40,021,196**	**40,021,196**

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 Executive Board and Supervisory Board will propose at the Annual General Meeting on April 24, 2024, that the total €14.3 million unappropriated net income of Vitesco Technologies Group AG from fiscal year 2023 be distributed in an amount of €10.0 million for a dividend of €0.25 per qualifying share and to carry forward the balance to new account. A dividend was not paid for fiscal year 2022 as Vitesco Technologies had recognized a unappropriated net income of €0.00 for fiscal year 2022.

26. EMPLOYEE BENEFITS

The following table outlines the employee benefits:

	Current		Non-current	
€ million	**2023**	2022	**2023**	2022
Pension provisions (unfunded obligations and net liabilities from obligations and related plan assets)	–	–	509.3	418.7
Provisions for other postemployment benefits	–	–	24.1	25.3
Other employee benefits	–	–	90.8	80.3
Short-term employee benefits	316.6	274.1	–	–
Employee benefits	**316.6**	**274.1**	**624.2**	**524.3**

A net surplus from pension plans after calculating defined-benefit assets led to recognition of an asset of €11.6 million (previous year: €10.8 million).

Employee benefits were partly reclassified as liabilities held for sale during fiscal years 2023 and 2022. Further information about the liabilities held for sale is provided in Chapter 24 (Assets Held for Sale).

Pension plans

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

The pension strategy of the Vitesco Technologies Group 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 carve-out of Vitesco Technologies Group AG, the pension obligations mainly pertain to active employees. This is illustrated in the table below:

	2023	2022
Active employees	20,667	21,773
Former employees[1]	1,850	1,651
Pensioners and surviving dependents	900	934
Total	**23,417**	**24,358**

1) Former employees with vested benefits.

The pension obligations are concentrated on four countries: Germany, the US, Canada, and France. Together, they make up 94.0% of all pension obligations.

The weighted average term of the defined-benefit pension obligations is 19 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). The CTAs are legally independent from the Company and manage the plan assets as trustees in accordance with the respective 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. A settlement for one of the defined-benefit plans is planned for the fiscal year 2024. Preparatory measures have been initiated for this.

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, and South Korea.

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 of the Vitesco Technologies Group for the current fiscal year:

	Germany		United States		Canada		France		Other		Total	
€ million	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Defined-benefit obligations as at January 1	**485.6**	**829.5**	**30.5**	**36.8**	**63.2**	**81.2**	**16.7**	**21.2**	**42.0**	**40.5**	**638.0**	**1,009.2**
Exchange rate differences	–	–	–1.1	2.4	–0.9	0.7	–	–	1.5	2.0	–0.5	5.1
Current service cost	27.0	50.4	–	–	–	–	0.8	1.1	3.6	3.5	31.4	55.0
Service cost from plan amendments	–	–	–	–	–	–	–0.5	–	0.1	–	–0.4	–
Curtailments/settlements	–	–	–	–	0.9	–	–0.1	–0.3	–	–	0.8	–0.3
Interest on expected pension obligations	18.3	10.3	1.5	1.1	2.9	2.4	0.6	0.3	3.0	2.1	26.3	16.2
Actuarial gains/losses												
From changes in demographic assumptions	–	–	–	–	–	–	–	–	–	0.2	–	0.2
From changes in financial assumptions	56.1	–347.3	1.1	–7.7	3.0	–18.4	0.2	–4.4	–0.9	–5.0	59.5	–382.8
From experience-based adjustments	0.8	–9.2	–0.6	–0.4	–0.4	1.6	1.0	–0.4	3.2	2.6	4.0	–5.8
Defined benefit obligations held for sale	–0.6	–45.4	–	–	–	–	–	–	–6.0	–0.7	–6.6	–46.1
Other changes	–	–	–	–	–0.1	–	0.0	–0.1	–	–0.6	–0.1	–0.7
Benefit payments	–3.9	–2.7	–2.6	–1.7	–17.6	–4.3	–0.9	–0.7	–3.3	–2.6	–28.3	–12.0
Defined-benefit obligations as at December 31	**583.3**	**485.6**	**28.8**	**30.5**	**51.0**	**63.2**	**17.8**	**16.7**	**43.2**	**42.0**	**724.1**	**638.0**

The €86.1 million year-over-year increase in the projected benefit obligation results in particular from the decreased interest rates and the increased entitlements for the active plan population.

Plan assets

The following shows the changes in the plan assets for Germany, the US, Canada, France, and other countries of the Vitesco Technologies Group for the current fiscal year:

	Germany		United States		Canada		France		Other		Total	
€ million	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Fair value of plan assets as at January 1	**103.4**	**112.0**	**31.6**	**39.2**	**67.1**	**80.3**	**–**	**–**	**31.1**	**27.4**	**233.2**	**258.9**
Exchange rate differences	–	–	–1.1	2.5	–1.0	0.4	–	–	–0.2	1.0	–2.3	3.9
Interest income on plan assets	3.8	1.4	1.6	1.1	3.1	2.4	–	–	2.0	1.4	10.5	6.3
Income from plan assets beyond amounts recognized as interest income	1.6	–11.5	0.9	–9.0	4.2	–12.0	–	–	–1.5	–1.2	5.2	–33.7
Employer contributions	3.8	3.3	–	–	0.5	0.6	–	–	–	5.3	4.3	9.2
Plan assets held for sale	–	–1.7	–	–	–	–	–	–	–	–0.5	–	–2.2
Other changes	–0.1	0.0	–0.3	–0.5	–0.2	–0.3	–	–	–	–	–0.6	–0.8
Benefit payments	–0.1	–0.1	–2.6	–1.7	–17.6	–4.3	–	–	–2.8	–2.3	–23.1	–8.4
Fair value of plan assets as at December 31	**112.4**	**103.4**	**30.1**	**31.6**	**56.1**	**67.1**	**–**	**–**	**28.6**	**31.1**	**227.2**	**233.2**

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	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Defined-benefit obligations	583.3	485.6	28.8	30.5	51.0	63.2	17.8	16.7	43.2	42.0	724.1	638.0
Defined benefit obligations held for sale	–	45.4	–	–	–	–	–	–	–	0.7	–	46.1
Fair value of plan assets	112.4	103.4	30.1	31.6	56.1	67.1	–	–	28.6	31.1	227.2	233.2
Plan assets held for sale	–	1.7	–	–	–	–	–	–	–	0.5	–	2.2
Funded status[1]	–470.9	–425.9	1.3	1.1	5.1	3.9	–17.8	–16.7	–14.6	–11.1	–496.9	–448.7
Asset ceiling	–	–	–	–	–0.8	–3.1	–	–	–	–	–0.8	–3.0
Carrying amounts	–470.9	–425.9	1.3	1.1	4.3	0.8	–17.8	–16.7	–14.6	–11.1	–497.7	–451.7
Of which pension provisions	–470.9	–382.1	–0.1	–0.1	–3.2	–3.1	–17.8	–16.7	–17.3	–16.7	–509.3	–418.7
Of which liabilities held for sale	–	–43.7	–	–	–	–	–	–	–	–0.1	–	–43.8
Of which other assets	–	–	1.4	1.2	7.5	3.9	–	–	2.7	5.7	11.6	10.8

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	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Equity instruments	11.4	11.3	–	–	47.4	51.5	–	–	7.6	6.9
Debt securities	48.0	49.9	99.9	99.9	48.6	31.1	–	–	24.6	79.8
Real estate	7.2	7.6	–	–	–	–	–	–	–	–
Absolute return[1]	10.7	10.8	–	–	–	–	–	–	–	–
Cash and cash equivalents	4.0	0.4	0.1	0.1	4.1	2.2	–	–	58.5	3.0
Derivative instruments	–	–	–	–	–	–	–	–	–	–
Other[2]	18.8	18.4	–	–	–	15.2	–	–	9.3	8.7
Other assets held for sale	–	1.6	–	–	–	–	–	–	–	1.6
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, 100.0% for absolute return, 100.00% for cash and cash equivalents, and 50.4% 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	
%	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Discount rate	3.10	3.60	5.15	5.40	4.60	5.20	3.50	3.60	8.47	7.18
Salary trend	3.00	3.00	–	–	–	–	–	2.26	4.99	3.99
Pension trend	2.20	2.20	–	–	1.60	1.60	–	–	–	0.34
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 decreased discount rate in significant countries.

	Germany		United States		Canada		France		Other		Total	
€ million	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Exchange rate differences	–	–	–	0.2	–	–0.2	–	–	–1.5	–0.8	–1.5	–0.8
Remeasurement effects from:												
Defined-benefit obligations	–56.9	356.5	–0.5	8.1	–2.6	16.8	–1.2	4.8	–2.3	2.2	–63.5	388.4
Of which defined-benefit obligations held for sale	–	22.5	–	–	–	–	–	–	0.3	–	0.3	22.5
Plan assets	1.6	–11.5	0.9	–9.0	4.2	–12.0	–	–	–1.5	–1.2	5.2	–33.7
Asset ceiling	–	–	–	–	2.4	–0.8	–	–	–	–	2.4	–0.8
Total	**–55.3**	**345.0**	**0.4**	**–0.9**	**4.0**	**4.0**	**–1.2**	**4.8**	**–3.8**	**1.0**	**–55.9**	**353.9**

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	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
0.5% increase										
Discount rate:										
Effects on benefit obligations	–56.1	–49.4	–1.2	–1.2	–2.5	–2.9	–0.8	–0.7	–1.4	–1.4
Pension trend:										
Effects on benefit obligations	9.9	11.4	–	–	2.6	2.6	–	–	–	0.5
Salary trend:										
Effects on benefit obligations	0.3	1.1	–	–	–	–	0.9	0.8	1.3	1.4
0.5% decrease										
Discount rate:										
Effects on benefit obligations	65.2	57.1	1.3	1.3	2.7	3.2	0.9	0.8	1.5	1.5
Pension trend:										
Effects on benefit obligations	–8.9	–10.3	–	–	–2.4	–2.4	–	–	–	–0.1
Salary trend:										
Effects on benefit obligations	–0.3	–1.0	–	–	–	–	–0.8	–0.8	–1.2	–1.3
Life expectancy one year longer										
Effects on benefit obligations	13.4	11.9	0.6	0.6	1.5	1.9	–	–	–	–

Contributions to plan assets

The following table shows the contributions to the plan assets for the previous and current fiscal year as well as the expected deposits for the following year.

€ million	Germany	United States	Canada	France	Other	Total
Contributions:						
2022	3.3	–	0.6	–	5.3	**9.2**
2023	3.8	–	0.5	–	–	**4.3**
2024 (expected)	–	–	–0.8[1]	–	1.9	**1.1**

1) The expected negative contributions result from the planned plan settlement that is described above.

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	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Current service cost	27.0	50.4	–	–	–	–	0.8	1.1	3.6	3.5	31.4	55.0
Service cost from plan amendments	–	–	–	–	–	–	–0.5	–	0.1	–	–0.4	–
Curtailments/settlements	–	–	–	–	0.9	–	–0.1	–0.3	–	–	0.8	–0.3
Interest on expected pension obligations	18.3	10.3	1.5	1.1	2.9	2.4	0.6	0.3	3.0	2.1	26.3	16.2
Interest income on plan assets	–3.8	–1.4	–1.6	–1.1	–3.1	–2.4	–	–	–2.0	–1.4	–10.5	–6.3
Interest expense on the effect of the asset ceiling	–	–	–	–	0.1	0.1	–	–	–	–	0.1	0.1
Other pension income and expenses	0.2	–	0.3	0.5	0.2	0.3	–	–	–	–	0.7	0.8
Net pension costs	**41.7**	**59.3**	**0.2**	**0.5**	**1.0**	**0.4**	**0.8**	**1.1**	**4.7**	**4.2**	**48.4**	**65.5**

Benefit payments

The pension payments made and expected are provided below:

€ million	Germany	United States	Canada	France	Other	Total
Benefits paid:						
2022	2.7	1.7	4.3	0.7	2.6	**12.0**
2023	3.9	2.6	17.6	0.9	3.3	**28.3**
Expected benefit payments:						
2024	11.2	2.5	3.5	1.2	4.9	**23.3**
2025	11.7	2.4	3.5	0.5	5.2	**23.3**
2026	13.7	2.4	3.5	0.9	5.2	**25.7**
2027	14.7	2.4	3.5	1.6	5.6	**27.8**
2028	18.8	2.4	3.5	1.4	5.8	**31.9**
2029 to 2033	100.9	10.8	17.2	7.6	31.0	**167.5**

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 9 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.

	United States		Canada	
%	**2023**	2022	**2023**	2022
Discount rate	5.15	5.40	4.60	5.20
Annual cost increase rate	–	–	4.90	4.69

The following shows the defined-benefit obligations, net costs, and payments made for postemployment benefits:

	United States		Canada		Total	
€ million	**2023**	2022	**2023**	2022	**2023**	2022
Defined-benefit obligations	7.9	9.5	16.2	15.9	24.1	25.3
Net costs	–	0.5	0.8	0.6	0.8	1.1
Benefits paid	0.5	0.3	0.8	1.1	1.3	1.4

For the fiscal year 2024, payments of €0.7 million are expected for the US and €1.1 million for Canada.

The following sensitivity analysis shows the effect on the defined-benefit obligations from increasing or decreasing the discount rate by 50 base points:

	United States		Canada	
€ million	**2023**	2022	**2023**	2022
0.5% increase	–0.3	–0.5	–0.8	–0.8
0.5% decrease	0.4	0.5	0.9	0.8

Defined-contribution plans

The Vitesco Technologies Group also provides its employees with a retirement scheme in the form of defined-contribution plans, especially in Germany, the US, China, and South Korea. Not including social-security contributions, expenses from defined-contribution pension plans in the current fiscal year amounted to €24.0 million (previous year: €21.2 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 following table presents the discount rate underlying the provisions for partial early retirement, anniversary benefits, and death benefits:

	Early retirement programs		Anniversary benefits		Death benefits	
%	**2023**	2022	**2023**	2022	**2023**	2022
Discount rate	3.55	3.30	3.25	3.73	3.20	3.75

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 for other long-term employee benefits amount to €90.8 million in the current fiscal year (previous year: €80.3 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 (referred to below as senior executives) 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. New incentive payments awarded under the LTI plans were issued in the form of virtual shares in Vitesco Technologies Group AG.

The LTI plans refer to the Vitesco Technologies LTI. The Long-Term Incentive Plan 2019 (LTI 2019), the Continental LTI Plan 2020–2022 (CLIP 2020–2022), and performance bonus STI deferral for 2019 were disbursed in the fiscal year 2023 following the end of their performance period on December 31, 2022. 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 2020 and 2021 tranches of the Continental LTI Plan (CLIP) 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.

On October 9, 2023, Schaeffler AG made a voluntary, public tender offer for Vitesco Technologies Group AG. Consequently, an exceptional situation has occurred that has moved the Supervisory Board to present a new remuneration system for the Executive Board of Vitesco Technologies Group AG at the 2024 Annual General Meeting. This provides for the early settlement and disbursement of unpaid long-term incentives. This will occur if the merger of Vitesco Technologies Group AG into Schaeffler AG becomes effective during the period of validity of the modified remuneration system (in 2024 and, if applicable, 2025) or if the Company is delisted for some other reason. The early settlement and subsequent disbursement for the Executive Board members will take place at the time the merger takes effect or the Company is delisted. The adjustment of the relevant parameters (sustainability score, relative total shareholder return [TSR], share price) that are used as a basis for determining the disbursement amounts as a result of the planned merger is explained below. The adjustment of the parameters will also apply to senior executives. However, the term and vesting period are not shortened for senior executives.

Long-term incentive plans

Plan	Term commencement	Term end
Executive Board[1]		
CLIP 2020–2023 (converted)	Jan. 1, 2020	Oct. 31, 2023/ Dec. 31, 2023
CLIP 2021–2024 (converted)	Jan. 1, 2021	Oct. 31, 2023 Sep. 30, 2024
Vitesco Technologies LTI 2021–2024	Mar. 9, 2021/ Oct. 4, 2021	Oct. 31, 2023 Sep. 30, 2024
Vitesco Technologies LTI 2022–2025	Jan. 1, 2022	Oct. 31, 2023 Sep. 30, 2024
Vitesco Technologies LTI 2023–2026	Jan. 1, 2023/ Apr. 26, 2023 Sep. 21, 2023	Oct. 31, 2023 Sep. 30, 2024
Performance bonus, STI deferral 2020	Jan. 1, 2020	Dec. 31, 2020
Performance bonus, STI deferral 2021	Jan. 1, 2021	Dec. 31, 2021
Senior executives		
CLIP 2021–2023 (converted)	Jan. 1, 2021	Dec. 31, 2023
Vitesco Technologies LTI 2022–2024	Jan. 1, 2022	Dec. 31, 2024
Vitesco Technologies LTI 2023–2025	Jan. 1, 2023	Dec. 31, 2025

1) Executive Board and former directors prior to the spin-off.

Vitesco Technologies Long-Term Incentive Plan 2020 to 2023

For each beneficiary of the CLIP tranches for the Executive Board in 2020 and 2021, the Supervisory Board of Continental AG agreed an allotment value in euros. This allotment value was 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 the Vitesco Technologies Executive Board in the 2021 fiscal year, 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 the CLIP tranches 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.

The Supervisory Board of Vitesco Technologies Group AG agreed an allotment value in euros for each beneficiary of the Vitesco Technologies LTI on the Executive Board. 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). For the 2022 and 2023 tranches, this allotment value is divided by the arithmetic mean of Vitesco Technologies' closing share prices in the XETRA trading system from the Frankfurt Stock Exchange in the last two months prior to the start of the term of the LTI plan (issue price) in order to obtain the basic holding of virtual Vitesco Technologies shares.

The Executive Board of Continental AG also allotted senior executives a quantity of virtual Continental shares as part of the CLIP tranche for 2021. Similarly, the Executive Board of Vitesco Technologies Group AG allocated a quantity of virtual Vitesco Technologies shares as part of the LTI tranches for 2022 and 2023.

When performing the conversion from CLIP 2020 (for the Executive Board) and 2021 (for the Executive Board and senior executives), one virtual Vitesco Technologies share was granted for every five shares of basic holding in the relevant CLIP 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.

Under LTI 2021, 2022, and 2023, the basic holding is multiplied by a performance index (PI) 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 starting share price (the three-month average following the initial listing of Vitesco Technologies' stock for the LTI tranches for 2020 and 2021 or the average price during the first month of the term for the LTI tranches for 2022 and 2023). 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 contract (for Executive Board members) or of the product of the basic holding and the defined starting share 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.

As explained at the beginning, the public tender offer by Schaeffler AG and the planned merger mean that the determination of the overall target achievement and the disbursement amount for the Executive Board and senior executives will generally be based on the aforementioned parameters with the following adjustments:

Insofar as the calculation of the total target achievement as well as the disbursement amount is based on the Vitesco Technologies Group AG stock price, the basis used will be the price per share most recently offered by Schaeffler AG to the shareholders as part of the public tender offer at the time of the deadline, i.e., €94 per share. Insofar as the calculation of the total target achievement is based on the sustainability score, the sustainability score calculated for 2023 will be used as the basis for all still-unsettled and still-unpaid tranches. Insofar as the calculation of the total target achievement is based on the status of the STOXX Europe 600 Automobiles & Parts (SXAGR), the arithmetic mean of the closing rates of this index during the offer period will be used. The disbursement for the Executive Board will be made within one month of the merger taking effect or the company being delisted. The disbursement for the senior executives will then be at the end of the term.

The valuation of the subscription rights is based on the overall target achievement determined in accordance with the above adjustment and a share price of €94 per share as the rate at disbursement. The value calculated is discounted.

Performance bonus (short-term incentive (STI) deferral) 2020 and 2021

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, or into virtual shares in Vitesco Technologies Group AG for the 2021 performance bonus, based on an average share price up until the time of the IPO of Vitesco Technologies Group AG (initial value). Existing entitlements from the 2020 STI deferral 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.

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.

As explained at the beginning, the public tender offer by Schaeffler AG and the planned merger mean that there will also be an adjustment for the settlement of the STI deferrals for 2020 and 2021 for former directors and an early settlement and disbursement for the STI deferral for 2021. The Vitesco Technologies Group AG share price used as a basis will be the price per share most recently offered by Schaeffler AG to the shareholders as part of the public tender offer at the time of the deadline, i.e., €94 per share.

2024 sustainability and transformation bonus for Executive Board members

As described above, the public tender offer by Schaeffler AG toward the end of 2023 means that an exceptional situation has occurred that has moved the Supervisory Board to present a new remuneration system for the Executive Board of Vitesco Technologies Group AG at the 2024 Annual General Meeting. During the application of the modified remuneration system, the remuneration structure will be adapted to the changed overall conditions by replacing the performance-based remuneration components (performance bonus and long-term incentive) for the 2024 fiscal year and – if the Supervisory Board passes a resolution to also apply the modified remuneration system in 2025 – for the fiscal year 2025 with a single variable remuneration component, the sustainability and transformation bonus. The sustainability and transformation bonus consists of a fixed bonus component and a performance-based one. The total amount of the two bonus components corresponds, at a minimum, to the sum of the performance bonus and long-term incentive provided in the regular remuneration system when the target achievement is 100% in each case and, at a maximum, to the sum of these two regular remuneration components when the target achievement is 150% in each case. For the performance-based bonus component of the sustainability and transformation bonus, the Supervisory Board will agree performance targets with the Executive Board members at the start of the fiscal year, and these targets will promote the sustainable development of Vitesco Technologies Group AG and its successful integration into the combined group of companies to be formed with Schaeffler AG.

Fair values and expense

The fair values of the tranches granted in the 2023 fiscal year as at the grant date, assuming full vesting, were €13.4 million for Vitesco Technologies LTI 2023–2025 for the senior management level as well as €2.9 million for Vitesco Technologies LTI 2023–2026 for the Executive Board. During fiscal year 2022, the fair values of the tranches granted in the fiscal year as at the grant date, assuming full vesting, were €12.3 million for the LTI 2022–2024 for senior executives as well as €2.8 million for the LTI 2022–2025 for the Executive Board.

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: The described adjustments are factored into this.

	Fair value, in € million		Proportion recognized in provision, in %		Expense, in € million	
	December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**	**2023**	**2022**
Executive Board[1]						
LTI 2019 (converted)	n.a.	1.5	n.a.	100.0	0.1	1.0
CLIP 2020–2023 (converted)	1.7	0.9	100.0	75.0	1.0	0.4
CLIP 2021–2024 (converted)	0.7	0.4	92.7	50.0	0.5	0.2
Vitesco Technologies LTI 2021 – 2024	1.5	0.8	81.6	44.6	0.9	0.3
Vitesco Technologies LTI 2022 – 2025	5.5	2.9	77.6	25.0	3.5	0.7
Vitesco Technologies LTI 2023 – 2026	5.7	n.a.	61.3	n.a.	3.5	n.a.
Performance bonus, STI deferral 2019	n.a.	0.2	n.a.	100.0	0.1	–
Performance bonus, STI deferral 2020	0.3	0.2	100.0	100.0	0.1	–
Performance bonus, STI deferral 2021	0.6	0.3	100.0	100.0	0.3	0.4
Senior executives						
LTI 2019 (unconverted)	n.a.	–	n.a.	100.0	n.a.	–
TIP	n.a.	n.a.	n.a.	n.a.	n.a.	–0.8
CLIP 2020–2022 (converted)	n.a.	18.4	n.a.	100.0	1.3	13.5
CLIP 2021–2023 (converted)	19.0	11.7	100.0	66.7	11.3	5.4
Vitesco Technologies LTI 2022 – 2024	23.1	14.3	66.7	33.3	10.6	4.8
Vitesco Technologies LTI 2023 – 2025	25.5	n.a.	33.3	n.a.	8.5	n.a.
Total	**83.6**	**51.6**	**66.0**	**68.0**	**41.7**	**25.9**

1) Executive Board and former directors prior to the spin-off.

The target criterion for the LTI 2019 (converted) was met at 99.2%, with the disbursement occurring in July 2023. The target achievement for the LTI 2019 (unconverted) for senior executives was 0.0%, which meant that there was no disbursement at the end of the term. On the other hand, a 200.0% disbursement was made for the CLIP 2020-2022 (converted) in July 2023.

The target criterion for the first bonus package in the TIP tranche was met; the target criterion for the second package was not met. The TIP bonus was disbursed in June 2022.

Measurement assumptions

The following parameters were used as at the measurement date of December 31, 2023:

	Discount rate, in %	Achievement of internal target criterion, in %
Plan	**December 31, 2023**	**December 31, 2023**
Executive Board[1]		
CLIP 2020–2023 (converted)	3.4	118.0
CLIP 2021–2024 (converted)	3.1	118.0
Vitesco Technologies LTI 2021–2024	3.1	118.0
Vitesco Technologies LTI 2022–2025	3.1	118.0
Vitesco Technologies LTI 2023–2026	3.1	118.0
Performance bonus, STI deferral 2020	3.6	n.a.
Performance bonus, STI deferral 2021	3.1	n.a.
Senior executives		
CLIP 2021–2023 (converted)	3.4	120.0
Vitesco Technologies LTI 2022–2024	2.9	120.0
Vitesco Technologies LTI 2023–2025	2.3	120.0

1) Executive Board and former directors prior to the spin-off.

The discount rates are based on the yield curve for government bonds and the remaining term of each tranche of the plan. Due to the adjustment of the parameters and thus the determination of the overall target achievement, historical volatilities and correlations were no longer used as a basis. Estimates of dividend payments were also not included.

28. PROVISIONS FOR OTHER RISKS AND OBLIGATIONS

€ million	December 31, 2023 Current	Non-current	December 31, 2022 Current	Non-current
Restructuring provisions	53.8	126.1	64.8	228.0
Litigation and environmental risks	4.1	2.3	15.7	2.8
Warranties	266.1	6.8	277.4	10.6
Other provisions	100.5	2.6	65.3	2.5
Provisions for other risks and obligations	**424.5**	**137.8**	**423.2**	**243.9**

The provisions for other risks developed as follows:

€ million	Restructuring provisions	Litigation and environmental risks	Warranties	Other provisions
As at January 1, 2023	**292.8**	**18.5**	**288.0**	**67.8**
Additions	1.1	20.5	153.5	89.1
Utilizations	–23.8	–31.2	–65.8	–30.6
Reclassifications	–	–	–	–
Reclassification as liabilities held for sale	–63.5	–	–1.0	–0.6
Reversals	–28.4	–1.4	–99.9	–21.6
Interest	2.7	–	–	–
Exchange rate changes	–1.0	–	–1.9	–1.0
As at December 31, 2023	**179.9**	**6.4**	**272.9**	**103.1**

The utilization of restructuring provisions relates to the implementation of restructuring measures adopted in previous fiscal years and incorporated for the first time in 2019 (until 2028) at an amount of €17.5 million in the Powertrain Solutions Division (previous year: €13.7 million) and €6.3 million in the Electrification Solutions Division (previous year: €8.3 million). The reclassifications as liabilities held for sale at an amount of €63.5 million (previous year: €2.2 million) are connected to the sale of the Italian company that occurred during the fiscal year.

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 as well as provisions for green power certificates that are still yet to be obtained.

The changes in provisions for warranties, which comprise general and specific warranty provisions, include utilization of €65.8 million (previous year: €64.5 million) and reversals of €99.9 million (previous year: €124.1 million), which are offset by additions of €153.5 million (previous year: €140.2 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	2023	2022
As at January 1	**72.8**	**83.2**
Additions	93.0	55.0
Utilizations and advance payments for the current fiscal year	–62.2	–42.4
Reversals	–8.4	–24.4
Exchange rate changes	–1.0	1.4
As at December 31	**94.2**	**72.8**

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. INDEBTEDNESS AND ADDITIONAL NOTES TO THE STATEMENT OF CASH FLOWS

	December 31, 2023			December 31, 2022		
€ million	**Total**	**Current**	**Non-current**	Total	Current	Non-current
SSD loans	200.0	–	200.0	200.0	–	200.0
Bank loans and overdrafts	295.0	–	295.0	–	–	–
Derivatives	11.7	11.7	–	10.6	10.6	–
Lease liabilities	219.9	42.5	177.4	236.8	44.0	192.8
Other indebtedness	–	–	–	0.3	0.3	–
Indebtedness	**726.6**	**54.2**	**672.4**	**447.7**	**54.9**	**392.8**

On October 2, 2023, the Vitesco Technologies Group made a bilateral credit agreement with KfW IPEX Bank for €45.0 million (previous year: –). The financing was fully utilized on October 30, 2023, and has a term of five years.

The European Investment Bank granted the Vitesco Technologies Group a credit facility of €250.0 million in December 2022 to finance research and development activities in Europe. The financing was fully utilized on October 30, 2023, and has a term of eight years.

In the previous year, the Vitesco Technologies Group issued SSD loans with a total nominal volume of €200.0 million with maturity dates in 2025, 2027, 2029, and 2032. The SSDs exist at fixed as well as variable interest rates and serve a purpose of general corporate finance. Please refer to chapter 31 (Financial Instruments) for information regarding the use of interest rate swaps to hedge against the interest rate risk from the floating-rate tranches of the SSDs.

Vitesco Technologies Group AG and Vitesco Technologies GmbH, Regensburg, finalized a revolving credit facility for €800.0 million on October 6, 2022. The credit facility serves the purpose of general corporate finance. The credit agreement had an initial term of five years, with options to extend the term by a maximum of two years. The revolving credit facility was extended during the fiscal year 2023 by a further year, taking it through to 2028 by successfully exercising the first extension option, and was unused as at the end of the reporting period.

There were no changes in the carrying amounts for any credit agreements concluded in previous years.

Under the existing borrowings, the Vitesco Technologies Group is subject to conditions which, among other things, include adherence to a leverage covenant. This key financial figure is monitored on an ongoing basis and are the subject of regular reporting to the lender banks. As in the previous year, the leverage covenant was adhered to all throughout the fiscal year 2023 in accordance with the provisions of the credit agreements.

Interest income and expense from indebtedness is presented in chapter 11 (Financial Result).

Credit lines and available financing from banks

The other credit lines and guarantees from banks as at December 31, 2023, amounted nominally to €224.2 million (previous year: €182.9 million). Of this financing, a nominal amount of €168.0 million (previous year: €145.4 million) was unused as at the end of the reporting period.

Please see chapter 31 (Financial Instruments) for the maturity structure of the indebtedness.

Additional notes to the statement of cash flows

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

		Cash	Non-cash					
€ million	**December 31, 2023**		**Exchange-rate changes**	**Reclassifications**	**Changes in fair value**	**Changes in the scope of consolidation**	**Other**	December 31, 2022
Change in derivative instruments and interest-bearing investments	29.9	–13.5	–0.8	–	–14.8	–	14.6	44.4
Change in short-term indebtedness	54.2	–47.5	–0.8	10.8	–	–0.6	37.4	54.9
Change in long-term indebtedness	672.4	295.4	–4.5	–10.8	–	–0.1	–0.4	392.8

€ million	December 31, 2022	Cash	Non-cash					December 31, 2021
			Exchange-rate changes	Reclassifica-tions	Changes in fair value	Changes in the scope of consolidation	Other	
Change in derivative instruments and interest-bearing investments	44.4	0.6	0.7	–	2.6	–	–0.4	40.9
Change in short-term indebtedness	54.9	–148.3	0.3	4.7	–	–0.4	128.8	69.8
Change in long-term indebtedness	392.8	200.0	–0.6	–4.7	–	–1.1	0.1	199.1

31. FINANCIAL INSTRUMENTS

The tables below show the carrying amounts and fair values of financial assets and liabilities, with non-current 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	Carrying amount as at December 31, 2023					Fair value as at December 31, 2023			
	FVOCIwoR	FVOCIwR	FVPL	At cost	Total	Of which level 1	Of which level 2	Of which level 3	Total
Financial instruments measured at fair value	**15.2**	**16.7**	**73.1**	**–**	**105.0**				
Other investments	15.2	–	–	–	**15.2**	–	–	15.2	**15.2**
Derivative instruments not accounted for as effective hedging instruments	–	–	8.2	–	**8.2**	–	8.2	–	**8.2**
Derivative instruments accounted for as effective hedging instruments[1]	–	–	–	–	**–**	–	5.8	–	**5.8**
Debt instruments	–	–	13.7	–	**13.7**	–	13.7	–	**13.7**
Bank drafts	–	16.7	–	–	**16.7**	–	16.7	–	**16.7**
Cash and cash equivalents	–	–	51.2	–	**51.2**	–	51.2	–	**51.2**
Financial instruments not measured at fair value	**–**	**–**	**–**	**2,654.1**	**2,654.1**				
Debt instruments	–	–	–	2.3	**2.3**	–	–	–	**–**
Trade accounts receivable	–	–	–	1,529.3	**1,529.3**	–	–	–	**–**
Other financial assets	–	–	–	110.1	**110.1**	–	–	–	**–**
Cash and cash equivalents	–	–	–	1,012.4	**1,012.4**	–	–	–	**–**
Financial liabilities measured at fair value	**–**	**–**	**11.7**	**–**	**11.7**				
Derivative instruments not accounted for as effective hedging instruments	–	–	11.7	–	**11.7**	–	11.7	–	**11.7**
Financial liabilities not measured at fair value	**–**	**–**	**–**	**2,541.9**	**2,541.9**				
Trade accounts payable	–	–	–	1,838.6	**1,838.6**	–	–	–	**–**
SSD loans	–	–	–	200.0	**200.0**	–	195.3	–	**195.3**
Bank loans and overdrafts	–	–	–	295.0	**295.0**	–	299.3	–	**299.3**
Other financial liabilities	–	–	–	208.3	**208.3**	–	–	82.0	**82.0**
Financial assets	**15.2**	**16.7**	**73.1**	**2,654.1**	**2,759.1**				
Financial liabilities	**–**	**–**	**11.7**	**2,541.9**	**2,553.6**				

1) Derivative instruments accounted for as effective hedging instruments are not assigned to a measurement category un IFRS 9.

€ million	Carrying amount as at December 31, 2022					Fair value as at December 31, 2022			
	FVOCIwoR	FVOCIwR	FVPL	At cost	**Total**	Of which level 1	Of which level 2	Of which level 3	**Total**
Financial instruments measured at fair value	**23.8**	**29.6**	**27.8**	**–**	**81.2**				
Other investments	23.8	–	–	–	**23.8**	–	–	23.8	**23.8**
Derivative instruments not accounted for as effective hedging instruments	–	–	13.5	–	**13.5**	–	13.5	–	**13.5**
Derivative instruments accounted for as effective hedging instruments[1]	–	–	–	–	**–**	–	8.9	–	**8.9**
Debt instruments	–	–	13.2	–	**13.2**	–	13.2	–	**13.2**
Bank drafts	–	29.6	–	–	**29.6**	–	29.6	–	**29.6**
Cash and cash equivalents	–	–	1.1	–	**1.1**	–	1.1	–	**1.1**
Financial instruments not measured at fair value	**–**	**–**	**–**	**2,476.7**	**2,476.7**				
Debt instruments	–	–	–	8.8	**8.8**	–	–	–	**–**
Trade accounts receivable	–	–	–	1,601.8	**1,601.8**	–	–	–	**–**
Other financial assets	–	–	–	86.1	**86.1**	–	–	–	**–**
Cash and cash equivalents	–	–	–	780.0	**780.0**	–	–	–	**–**
Financial liabilities measured at fair value	**–**	**–**	**10.6**	**–**	**10.6**				
Derivative instruments not accounted for as effective hedging instruments	–	–	10.6	–	**10.6**	–	10.6	–	**10.6**
Financial liabilities not measured at fair value	**–**	**–**	**–**	**2,405.6**	**2,405.6**				
Trade accounts payable	–	–	–	2,003.4	**2,003.4**	–	–	–	**–**
SSD loans	–	–	–	200.0	**200.0**	–	196.4	–	**196.4**
Other financial liabilities	–	–	–	201.9	**201.9**	–	–	82.0	**82.0**
Other indebtedness	–	–	–	0.3	**0.3**	–	–	–	**–**
Financial assets	**23.8**	**29.6**	**27.8**	**2,476.7**	**2,557.9**				
Financial liabilities	**–**	**–**	**10.6**	**2,405.6**	**2,416.2**				

1) Derivative instruments accounted for as effective hedging instruments are not assigned to a measurement category under IFRS 9.

Abbreviations

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

Levels of the fair value hierarchy 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 are 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 non-observable input factors and continuously checked for changes in value.

Please see chapter 17 (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 accounts receivable 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 Vitesco Technologies 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 the 2023 fiscal year, as in the previous year, there were no transfers between the different levels of the fair value hierarchy.

The following table shows the reconciliation of the financial instruments measured at level 3.

€ million	**2023**	2022
As at January 1	**23.8**	**23.8**
Changes in fair value measured in equity	4.5	–
Disposals	–13.1	–
As at December 31	**15.2**	**23.8**

Further information about the disposal of the other investment is provided in chapter 5 (Acquisition and Disposal of Companies and Business Operations).

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	**2023**	2022	**2023**	2022	**2023**	2022
Financial assets (at cost)	24.3	37.1	–9.8	9.2	14.5	46.3
Financial assets and liabilities (FVPL)	0.5	1.8	–1.2	–108.4	–0.7	–106.6
Financial liabilities (at cost)	–16.1	–31.2	–11.9	16.4	–28.0	–14.8

Interest income and expense from financial instruments is presented in chapter 11 (Financial Result).

Collateral

As at December 31, 2023, a total of €0.3 million of other financial assets (previous year: €0.3 million) was put aside as collateral. This collateral served as security for a locally issued bank guarantee in Thailand.

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 accounts receivable, contract assets, or other financial assets include the risk that receivables will be collected late or not at all if a customer or another contractual party does not fulfill its contractual obligations. The total of the 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.

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 generally considered to have increased significantly since initial recognition when contractual payments are more than 30 days past due on the reporting date.

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.

Default risk for non-derivative financial receivables is also limited by ensuring that agreements are entered into with partners with proven creditworthiness only or that collateral is provided or, in individual cases, trade credit insurance is agreed. There were no holdings of collateral within the Group as at December 31, 2023. There are no trade accounts receivable or contract assets for which an impairment loss was not recognized due to collateral held.

However, default risk cannot be excluded with absolute certainty, and any remaining risk is addressed by recognizing expected credit losses for identified individual risks and on the basis of experience, taking account of any relevant future components. Financial assets that are neither past due nor impaired accordingly have a prime credit rating. Default risks are calculated on the basis of Group-wide standards.

Trade accounts receivable and contract assets

If the creditworthiness of receivables is impaired, corresponding expenses are recognized in an allowance account.

Lifetime expected credit losses are largely calculated using estimates and assessments based on the creditworthiness of the respective customer, current economic developments, and the analysis of historical losses on receivables. The creditworthiness of a customer is assessed on the basis of its payment history and its ability to make payments. 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 during the 2023 fiscal year.

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 accounts receivable and contract assets whose creditworthiness is already impaired are not taken into account when calculating lifetime expected credit losses. There were no significant effects on expected credit losses from the modification of cash flows.

The table below shows the gross carrying amounts as at December 31, 2023, for trade accounts receivable and contract assets whose creditworthiness was not impaired[1]:

€ million	**2023**	2022
Not overdue	1,414.6	1,526.3
1–29 days	62.1	25.3
30–59 days	13.5	20.3
60–89 days	8.1	10.9
90–119 days	5.3	3.5
120 days or more	40.3	45.5
As at December 31	**1,543.9**	**1,631.8**

1) The difference of €23.5 million (previous year: €17.0 million) from the tables in chapters 6 and 22 results from trade accounts receivable and contract assets whose creditworthiness was impaired.

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

€ million	**2023**	2022
As at January 1	**16.9**	**17.3**
Additions	24.3	19.7
Utilizations	–0.3	–5.9
Reversals	–22.5	–14.4
Exchange rate changes	–0.3	0.2
As at December 31	**18.1**	**16.9**

As at December 31, 2023, allowances for trade accounts receivable whose creditworthiness was impaired amounted to €16.7 million (previous year: €12.3 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 banks that are used are generally ones that at least have an investment grade credit rating from one of the global rating agencies. The default risk can therefore be considered very low. The creditworthiness of the banks is monitored on an ongoing basis. In addition, the Vitesco Technologies Group sets investment limits for each bank and limits on the fair value of 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-exchange risk

In operational currency management, actual and expected foreign currency cash flows are combined as operational foreign currency risks 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 fiscal year or in the previous year for hedges that had been concluded. Derivative instruments existed as at December 31, 2023, in order to hedge against operational foreign-exchange risks; they amounted to €1,026.7 million (previous year: €639.8 million).

As at December 31, 2023, the net foreign-exchange 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:

	2023
€ million	**EUR**
CZK	102.2
USD	–63.6
CNY	20.8
Miscellaneous	–8.3
Total	**51.1**

	2023
€ million	**USD**
EUR	129.4
KRW	–72.5
CNY	–37.7
Miscellaneous	–18.0
Total	**1.2**

€ million	2022 EUR
CZK	60.1
CNY	33.9
HUF	22.8
Miscellaneous	–61.9
Total	**54.9**

€ million	2022 USD
KRW	–57.3
EUR	53.3
MXN	20.8
Miscellaneous	–5.9
Total	**10.9**

Of these amounts, the positive values constitute net receivables and the negative values net liabilities.

Financial foreign-exchange risks

In addition to operational foreign-exchange risk, currency risks also result from the Group's internal net liquidity 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 financial foreign-exchange exposure for each transaction currency. The net exposure as at December 31, 2023, was in euros and US dollars. The total amounts of this euro and US dollar risk and the main local currencies affected are as follows:

€ million	2023 EUR
RON	12.0
CZK	–5.9
THB	2.3
Miscellaneous	2.7
Total	**11.1**

€ million	2023 USD
EUR	37.5
CNY	7.2
CAD	0.6
Miscellaneous	0.2
Total	**45.5**

€ million	2022 EUR
RON	9.6
CZK	–7.2
KRW	5.5
Miscellaneous	7.9
Total	**15.8**

€ million	2022 USD
EUR	43.9
CNY	7.1
RON	0.1
Miscellaneous	0.1
Total	**51.2**

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 Vitesco Technologies Group does not normally hedge its net foreign investment against fluctuation in exchange rates.

Hedging against financial foreign-exchange risks without using hedge accounting

As at December 31, 2023, there are derivative instruments for hedging against financial foreign-exchange 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, 2023, in the statement of financial position under the item “current derivative instruments and interest-bearing investments” in the amount of €8.2 million (previous year: €13.5 million) and under the item “short-term financial liabilities” in the amount of €11.7 million (previous year: €10.6 million). The nominal volume as at December 31, 2023, came to €6.2 million (previous year: €626.0 million).

Translation-related foreign-exchange 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-exchange 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.

	2023		2022	
€ million	**Equity**	**Net income**	Equity	Net income
Local currency +10%				
Total	**–**	**–0.8**	**–**	**49.2**
Of which EUR	–	–6.2	–	18.6
Of which USD	–	–18.5	–	–14.6
Local currency –10%				
Total	**–**	**0.8**	**–**	**–49.2**
Of which EUR	–	6.2	–	–18.6
Of which USD	–	18.5	–	14.6

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. The Vitesco Technologies Group is not exposed to a risk of fluctuation in the fair value of non-current 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.

In the previous year, the Vitesco Technologies Group issued SSD loans with a total nominal volume of €200.0 million with maturity dates in 2025, 2027, 2029, and 2032, and with tranches totaling €104.5 million bearing variable interest. The variable tranches of the SSDs bear interest based on Euribor money market terms along with a surcharge. The Vitesco Technologies Group hedges against the interest rate risk associated with the floating-rate tranches by using interest rate swaps. Interest rate swaps financially transform the future interest payments that have a variable rate, and are therefore of an uncertain amount, from the floating-rate tranches of the SSDs into fixed interest payments. The fair value of the interest rate swaps is calculated by discounting the expected payment flows. Where it can be expected that the interest rate swaps will offset the interest-rate-driven changes in the payment flows from the floating-rate tranches of the SSDs to a sufficient extent during their term, the interest rate swaps are designated as hedging instruments in a cash flow hedge. When entering into interest rate swaps, care is taken to check that the terms of the underlying transaction (term, volume, maturity, interest payment dates, and interest rate floor) are fully hedged through the hedging transaction and that there is a hedge ratio of 100% as a result. Effectiveness is measured based on the hypothetical derivative method, which looks at the changes in the hedging instrument's fair value in proportion to the changes in the fair value of a "perfect" derivative, i.e., a hypothetical derivative that fully emulates the interest-rate-driven payment flows and changes in value of the underlying transaction. Since the hedging instruments and the hedged interest payments correspond to each other in relation to the nominal amounts, the hedged interest rates, the terms, and the payment dates, and since potential cash flow effects resulting from reforms to international reference rates – where they concern the Euribor – do not need to be considered for the duration of the hedging for the purposes of measuring effectiveness, hedge ineffectiveness can only arise from changes in the credit risk of the hedging instruments. If the change in the fair value of the hedging instrument (including the change in the credit risk) turns out larger than the change in the fair value of the hypothetical derivative, the excess amount is immediately charged as hedge ineffectiveness. The remaining, effective part is then added to the cash flow hedge reserve in equity and only recognized in profit or loss when the hedge interest payment affects profit or loss.

As at December 31, 2023, the Vitesco Technologies Group held interest rate swaps with a nominal volume totaling €104.5 million (previous year: €104.5 million), which hedge the Euribor interest rate risk through to the year 2029 and were designated as hedging instruments in a cash flow hedge. These interest rate swaps feature an interest rate floor, analogously to the underlying transactions that are hedged.

The Vitesco Technologies Group held the following interest rate hedging instruments as at the December 31, 2023, reporting date:

€ million	Maturity in 2025	2027	2029	Nominal amount December 31, 2023	December 31, 2022	Average rate hedged, as % December 31, 2023	December 31, 2022	Fair value December 31, 2023	December 31, 2022
Interest rate swaps	33.5	45.0	26.0	104.5	104.5	0.8	0.8	5.8	8.9
Of which within cash flow hedges	33.5	45.0	26.0	104.5	104.5	0.8	0.8	5.8	8.9

The hedge ratio for all floating-rate liabilities within the Vitesco Technologies Group was 100% as at December 31, 2023 (previous year: 100%).

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	**2023**	2022
Fixed-interest instruments		
Financial assets	2.3	15.4
Financial liabilities[1]	714.9	437.1
Floating-rate instruments		
Financial assets	1,063.6	779.6
Financial liabilities	–	–

1) This includes SSDs with a nominal volume totaling €200.0 million, of which the floating-rate tranches of €104.5 million are hedged with interest rate swaps.

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.

	Interest rate increase +100 basis points		Interest rate decline –100 basis points	
€ million	**2023**	2022	**2023**	2022
Total	**9.6**	**6.8**	**–9.6**	**–6.8**
Of which EUR	0.4	1.7	–0.4	–1.7
Of which CNY	5.7	2.4	–5.7	–2.4
Of which KRW	0.8	0.2	–0.8	–0.2
Of which MXN	0.7	0.3	–0.7	–0.3
Of which HUF	0.5	–	–0.5	–
Of which other	1.5	2.2	–1.5	–2.2

The effect of a 100 basis point increase or decrease in the interest rates on the cash flow hedges in the consolidated statement of comprehensive income is presented in the following table:

	Interest rate increase +100 basis points		Interest rate decline –100 basis points	
€ million	**2023**	2022	**2023**	2022
Total	**2.5**	**3.2**	**–2.4**	**–3.2**
Of which EUR	2.5	3.2	–2.4	–3.2

Impacts of hedging on financial statements

The hedging instruments employed by the Vitesco Technologies Group are largely adapted to the underlying transactions. Accordingly, the remaining potential cause of ineffectiveness is mainly credit risk. This risk is largely reduced in accordance with internal risk management guidelines by limiting the potential derivative counterparties to those with good creditworthiness and by entering netting and close-out agreements in case of a contract breach.

The credit risk associated with the hedging instruments is taken into account when measuring fair value and calculating ineffectiveness in the form of credit value adjustments and debit value adjustments.

The hedging instruments that the Vitesco Technologies Group has designated in hedging relationships had the following impacts on the statement of financial position as at December 31, 2023:

Nominal amount of hedging transactions	Carrying amount of hedging transactions: Assets	Carrying amount of hedging transactions: Liabilities	Items under which hedging transactions are presented	Change in fair value for measuring effectiveness during reporting period
104.5	5.8	–	Non-current derivative instruments and interest-bearing investments	–3.9

In the previous year, the designated hedging instruments had the following effects on the statement of financial position:

Nominal amount of hedging transactions	Carrying amount of hedging transactions: Assets	Carrying amount of hedging transactions: Liabilities	Items under which hedging transactions are presented	Change in fair value for measuring effectiveness during reporting period
104.5	8.9	–	Non-current derivative instruments and interest-bearing investments	9.1

The underlying transactions designated in hedging relationships had the following impacts on the cash flow hedge reserve in equity as at December 31, 2023:

	Change in value of hedged underlying transactions used for calculating effectiveness	Cash flow hedge reserve
Hedging of interest rate risks	3.9	5.2
Ended hedges	–	–

In the previous year, the designated underlying transactions affected the cash flow hedge reserve in equity as follows:

	Change in value of hedged underlying transactions used for calculating effectiveness	Cash flow hedge reserve
Hedging of interest rate risks	–9.1	9.1
Ended hedges	–	–

The above hedges had the following impacts on profit or loss or other comprehensive income during the 2023 fiscal year:

	Gain or loss on hedging recognized in cash flow hedge reserve	Ineffectiveness recognized in profit or loss	Profit or loss items recognizing ineffectiveness	Amounts reclassified from cash flow hedge reserve to profit or loss	Profit or loss items recognizing reclassified amounts
Hedging of interest rate risks	–2.3	–	Net interest income	1.6	Net interest income

In the previous year, the hedging transactions affected the income statement or other comprehensive income as follows:

	Gain or loss on hedging recognized in cash flow hedge reserve	Ineffectiveness recognized in profit or loss	Profit or loss items recognizing ineffectiveness	Amounts reclassified from cash flow hedge reserve to profit or loss	Profit or loss items recognizing reclassified amounts
Hedging of interest rate risks	9.1	–	Net interest income	–	Net interest income

The cash flow hedge reserve developed as follows over the periods:

€ million	2023	2022
As at January 1	6.4	–
Changes from effective hedges	–2.3	9.1
Reclassification as cost of underlying transaction	–	–
Reclassification to profit or loss	–1.6	–
Hedges ended due to P&L effectiveness of underlying transaction	–	–
Hedges ended due to cash flows no longer being expected	–	–
Deferred taxes	1.1	–2.7
As at December 31	**3.6**	**6.4**

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 fixed credit lines from banks.

The financial liabilities excluding lease liabilities result in the following undiscounted cash outflows over the next five years and thereafter:

December 31, 2023, 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
Loans against promissory notes (SSD)	2.0	148.8	57.9	**208.7**
Bank loans and overdrafts	14.4	221.0	137.2	**372.6**
Derivative instruments	12.6	2.5	0.3	**15.4**
Variable interest rates from hedge accounting[1]	–	–	–	**–**
Trade accounts payable	1,838.6	–	–	**1,838.6**
Other financial liabilities	202.4	–	–	**202.4**

1) This refers to the net of variable interest rates from SSDs and from interest rate swaps.

Dec-ember. 31, 2022, 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
Loans against promissory notes (SSD)	2.0	150.0	58.7	210.7
Derivative instruments	11.5	3.1	0.6	15.2
Variable interest rates from hedge accounting[1]	–	–	–	–
Trade accounts payable	2,003.4	–	–	2,003.4
Other financial liabilities	198.6	–	–	198.6
Other indebednesst	0.3	–	–	0.3

1) This refers to the net of variable interest rates from SSDs and from interest rate swaps.

In the analysis, foreign-currency amounts were translated into euros using the current closing rate as at the end of the reporting period. For floating-rate non-derivative financial instruments, the future interest payment flows 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.

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, 2023			December 31, 2022		
€ million	Carrying amounts	Nettable amount if insolvent	Net amount	Carrying amounts	Nettable amount if insolvent	Net amount
Financial assets	14.0	7.1	6.9	22.4	7.1	15.3
Financial liabilities	11.7	7.1	4.6	10.6	7.1	3.5

32. OTHER FINANCIAL LIABILITIES

€ million	December 31, 2023 Current	Non-current	December 31, 2022 Current	Non-current
Liabilities to related parties	106.1	–	82.0	–
Liabilities for selling expenses	92.0	–	116.7	–
Interest payable	5.9	–	3.2	–
Miscellaneous financial liabilities	4.3	–	–	–
Other financial liabilities	**208.3**	**–**	**201.9**	**–**

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, Germany; Vitesco Technologies GmbH, Regensburg, Germany; and Continental AG, Hanover, Germany on March 18, 2021, as part of the carve-out, are recognized as liabilities to related parties These continue to be measured as in the previous year at amortized cost in the amount of €82.0 million.

33. TRADE ACCOUNTS PAYABLE

Trade accounts payable as at the end of the fiscal year amounted to €1,838.6 million (previous year: €2,003.4 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 accounts payable, please see chapter 31 (Financial Instruments).

34. OTHER LIABILITIES

	December 31, 2023		December 31, 2022	
€ million	**Current**	**Non-current**	Current	Non-current
Liabilities for VAT and other taxes	40.6	–	41.1	–
Deferred income	11.5	8.9	5.9	4.5
Miscellaneous liabilities	23.3	2.1	35.1	2.0
Other liabilities	**75.4**	**11.0**	**82.1**	**6.5**

The deferred income includes deferrals of government and customer 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.

Under the existing credit agreements, the Vitesco Technologies Group is subject to conditions which include adherence to a leverage covenant. Adherence is monitored, managed, and reported on to the lender banks on an ongoing basis. The calculation parameters used in the definitions of the key figures are governed in detail in the credit agreements and cannot be derived directly from the figures in the consolidated financial statements.

As in the previous year, the leverage covenant was adhered to all throughout the fiscal year 2023 in accordance with the provisions of the credit agreements. The Vitesco Technologies Group assumes that the financial covenants for the individual credit agreements will also be fulfilled in following years.

To make sure that these capital management goals are met, Vitesco Technologies strives for a net debt-to-EBITDA ratio of no more than one. 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. In the current fiscal year and the previous one, the Vitesco Technologies Group reported negative net debt. As such, the key figure was meaningless.

€ million	**2023**	**2022**
EBITDA	748.1	703.3
Net debt	337.0	333.4
Net debt-to-EBITDA ratio	**0.5**	**0.5**

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 and claims arising from contractual relationships

The Vitesco Technologies Group is subject in particular to product liability claims and other claims in which the Group is accused of the alleged infringement of its duty of care, violations against warranty obligations, defects of material or workmanship, or other core or secondary contractual obligations. 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 Vitesco Technologies Group is exposed and recognizes provisions for liabilities that the Vitesco Technologies Group deems likely.

Disputes over industrial property rights

The Vitesco Technologies Group 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 the Vitesco Technologies Group 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	**December 31, 2023**	December 31, 2022
Liabilities on guarantees	0.2	0.3
Liabilities on warranties	1.5	11.8
Risks from taxation and customs	15.1	0.1
Other contingent liabilities	3.0	2.0
Contingent liabilities and other financial obligations	**19.8**	**14.2**

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.

As part of the carve-out in 2019, the Powertrain business operations were transferred from German Continental companies to German Vitesco Technologies companies via asset deals. The carve-out of Vitesco Technologies in 2019 is one of the focal points of the ongoing tax audit of the Continental Group. The income on the disposal through the asset deals is being questioned as part of this. If the purchase price were increased, the Group separation agreement provides for the Continental Group being entitled to compensation from Vitesco Technologies for any additional tax that may be incurred.

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.

Open purchase commitments for property, plant and equipment amounted to €191.6 million (previous year: €133.0 million).

38. EARNINGS PER SHARE

Basic earnings per share in the 2023 fiscal year came to –€2.41 (previous year: €0.59), which is the same amount as for diluted earnings per share. In both the fiscal year 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.

€ million/number of shares	2023	2022
Net income	–96.4	23.6
Weighted average number of shares issued	40,021,196	40,021,196
Earnings per share, in €	**–2.41**	**0.59**

39. EVENTS AFTER THE END OF THE REPORTING PERIOD

There were not any events after December 31, 2023, that were of particular importance for the earnings, finances, and assets of Vitesco Technologies.

40. AUDITOR’S FEES

For the 2023 fiscal year, a global fee of €3.5 million was agreed for the audit of the consolidated financial statements and the annual financial statements of the subsidiaries (previous year: €2.7 million).

The following fees were recognized in the Group’s expenses as at December 31, 2023, 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	2023	2022
Audit of financial statements	2.8	2.0
Other assurance services	0.3	0.3
Tax-advisory services	–	–
Other services provided to the parent company or its subsidiaries	–	0.1
Total	**3.1**	**2.4**

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 2023 fiscal year were attributable to 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 remuneration of the active members of the Executive Board in the fiscal years was as follows:

€ thousand	**2023**	2022
Short-term benefits	7,294	5,411
Service cost relating to postemployment benefits	1,306	1,884
Termination benefits	–	–
Share-based payment	5,657	2,888
Total	**14,257**	**10,182**

The expenses in the 2023 fiscal year for short-term benefits for members of the Executive Board of Vitesco Technologies Group AG came to roughly €7.3 million (previous year: €5.4 million). The short-term benefits consist of base remuneration, fringe benefits, and the payment amount for the single-year variable remuneration. Unlike in the previous year, the performance bonus share deferral (previous year: €1.9 million) was not applied and was instead paid in cash as the Executive Board members were relieved of their obligation to buy further shares in Vitesco Technologies Group AG due to the voluntary public tender offer by Schaeffler AG. The performance bonus for 2023 was paid fully in cash.

The single-year variable remuneration (performance bonus) for the Executive Board is dependent on the achievement of financial performance criteria and a non-financial 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 the EBIT margin or 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 received allocations from the Vitesco Technologies LTI 2023–2026. 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. 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 exceptional situation that occurred due to the voluntary public tender offer by Schaeffler AG moved the Supervisory Board to present a new remuneration system for the Executive Board of Vitesco Technologies Group AG at the 2024 Annual General Meeting. Its adjustments of the aforementioned parameters (relative total shareholder return [TSR], sustainability score, and share price) in relation to the still-unpaid long-term incentives are explained in the Share-Based Payment section of the notes. In the 2023 fiscal year, 53,353 virtual shares in the Company were allotted as part of the Vitesco Technologies LTI 2023–2026, equivalent to an allotment value of approximately €2.9 million (previous year: €2.8 million).

The total remuneration awarded in the 2023 fiscal year for the Executive Board of Vitesco Technologies Group AG therefore came to €14.3 million (previous year: €10.2 million).

The provisions for pension obligations (defined benefit obligation) for current members of the Executive Board amount to €2.8 million (previous year: €1.6 million).

Former members of the Executive Board and their surviving dependents were granted payments of €4 thousand (previous year: €0 thousand). Provisions for pension obligations for former members of the Executive Board and their surviving dependents amount to €468 thousand (previous year: €0 thousand).

Remuneration paid to the members of the Supervisory Board of Vitesco Technologies Group AG, including meeting attendance payments, totaled €2.1 million in the past fiscal year (previous year: €2.0 million).

No advances or loans were granted to members of the Executive Board or Supervisory Board of Vitesco Technologies Group AG in 2023.

The table below shows the transactions with related parties other than subsidiaries:

	Income		Expenses		Accounts receivable		Accounts payable	
€ million	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Continental Group								
Ordinary business activities	979.2	1,337.2	565.3	827.1	83.6	147.1	497.6	609.1
Leases	–	–	0.2	0.3	–	–	19.5	26.3
Others	–	–	–	10.5	4.9	3.7	106.1	82.0
Schaeffler Group								
Ordinary business activities	37.9	46.2	25.0	20.7	13.7	13.5	6.1	4.0
Other related parties								
Ordinary business activities	3.9	1.6	–	1.0	0.7	0.6	0.1	–
Financing	0.1	–	–	–	–	0.9	–	–
Total	**1,021.1**	**1,385.0**	**590.5**	**859.6**	**102.9**	**165.8**	**629.4**	**721.4**

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 as well as rendered or received services.

The sale of assets and business operations to the Continental Group produced a gain of €7.5 million (previous year: €3.3 million). The net carrying amount of the sold assets came to €33.5 million (previous year: €35.2 million). The Vitesco Technologies Group in the fiscal year 2023 purchased assets of an amount of €21.3 million (previous year: €5.6 million).

The other liabilities toward the Continental Group are explained in chapter 32 (Other Financial Liabilities).

There was a major change in the shareholdings in early 2024 after the expiration on January 2, 2024, of the redemption option enabled through the shareholders' tendering of their stakes for sale in response to Schaeffler AG's tender offer. Schaeffler AG announced that a total of 29.9% of all shares outstanding were tendered for sale. In conjunction with IHO Beteiligungs GmbH and IHO Verwaltungs GmbH, which are defined together with the bidder as entities acting jointly for the purposes of German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz,* WpÜG) §2(5), the total stake added up to 79.8% of votes. The bidder held direct instruments within the meaning of German Securities Trading Act (*Wertpapierhandelsgesetz*, WpHG) §38 based on a total of 3,600,000 voting rights in Vitesco at the time the deadline passed due to a total return swap with BofA Securities Europe S.A. This was equal to a stake of approximately 9% of the share capital and voting rights of Vitesco Technologies. The conclusion of this transaction increased the total share of voting rights held by IHO companies to 88.8%. ASW Privatstiftung tendered its entire 5.0% stake for sale during the offer phase and did not utilize its redemption option either.

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.

A notice dated January 23, 2024, communicated that:

- >the voting rights share that IHO Beteiligungs GmbH, Herzogenaurach, Germany holds in Vitesco Technologies Group AG is 88.81%
- >the voting rights share that IHO Verwaltungs GmbH, Herzogenaurach, Germany holds in Vitesco Technologies Group AG is 88.81%
- >the voting rights share that Schaeffler AG, Herzogenaurach, Germany holds in Vitesco Technologies Group AG is 88.81%
- >88.81% of the voting rights in Vitesco Technologies Group AG are attributed to Maria-Elisabeth Schaeffler-Thumann in accordance with WpHG § 34(1)(1)
- >88.81% of the voting rights in Vitesco Technologies Group AG are attributed to Georg F.W. Schaeffler in accordance with WpHG § 34(1)(1)

In the fiscal year 2023 and until February 29, 2024, 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 88.81% of the voting share capital of the company were attributable to the member of the Supervisory Board Mr. Georg F. W. Schaeffler. As at February 29, 2024, 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, in %
I. Affiliated companies		
Germany		
Vitesco Technologies 1. Verwaltungs GmbH	Regensburg	100.0
Vitesco Technologies 2. Verwaltungs GmbH	Regensburg	100.0
Vitesco Technologies Grundstücks GmbH	Regensburg	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 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
OOO “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, Inc.	Mississauga, Canada	100.0
Vitesco Technologies Czech Republic s.r.o.	Trutnov, Czech Republic	100.0
Vitesco Technologies Engineering Romania S.R.L.	Timisoara, Romania	100.0
Vitesco Tecnologies France S.A.S.	Toulouse, France	100.0
Vitesco Technologies Holding China Co., Ltd.	Shanghai, China	100.0
Vitesco Technologies Holding Netherlands B.V.	Maastricht, Netherlands	100.0
Vitesco Technologies Hungary Kft.	Debrecen, Hungary	100.0
Vitesco Technologies India Pvt. Ltd.	Pune, India	100.0
Vitesco Technologies Japan K.K.	Yokohama, Japan	100.0
Vitesco Technologies Korea LLC	Icheon-si, South Korea	100.0
Vitesco Technologies Maquila México, S. de R.L. de C.V.	Silao, Mexico	100.0
Vitesco Technologies Romania SRL	Brasov, Romania	100.0
Vitesco Technologies Taiwan Co., Ltd.[1]	Taipei, Taiwan	100.0
Vitesco Technologies UK Ltd.	Birmingham, United Kingdom	100.0
Vitesco Technologies USA, LLC	Wilmington, Delaware, United States	100.0
Vitesco Automotive Shanghai Co., Ltd.	Shanghai, China	100.0

Company	Principal place of business	Share in capital, in %
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	10.0

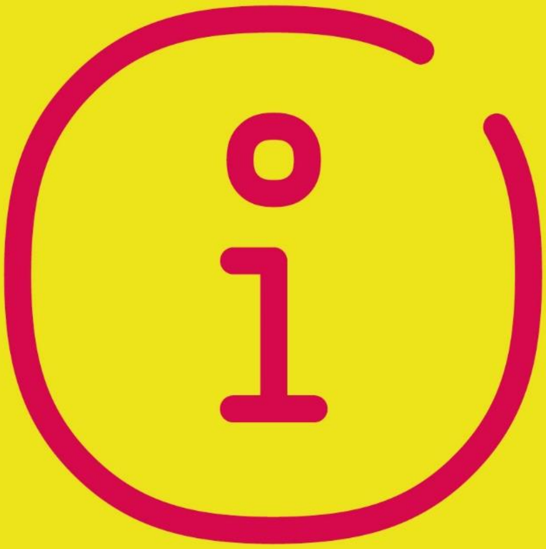
1) Not consolidated.
2) Proportional equity of €22.7 million as at December 31, 2022, and proportional net income of €3.5 million in 2022.

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 November 2023, was revised in December 2023, and is permanently available to shareholders online in the "Investors"/"Corporate Governance" section of the Company's website (ir.vitesco-technologies.com).

Regensburg, February 29, 2024

Andreas Wolf Sabine Nitzsche Ingo Holstein Stephan Rölleke Klaus Hau Thomas Stierle



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, February 29, 2024

Vitesco Technologies Group AG

Andreas Wolf	Sabine Nitzsche	Ingo Holstein	Stephan Rölleke	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

Sabine Nitzsche
Chief Financial Officer (since October 1, 2023, position assumed on November 1, 2023)

Stephan Rölleke
Member of the Executive Board for Integrity and Legal (since October 1, 2023)

Ingo Holstein
Chief Human Resources Officer

Klaus Hau
Member of the Executive Board

Thomas Stierle
Member of the Executive Board

Departed from the Executive Board in the fiscal year 2023:

Werner Volz
Chief Financial Officer (until October 31, 2023)

MEMBERS OF THE SUPERVISORY BOARD AND THEIR POSITIONS

Members holding a position as at December 31, 2023	Occupation	Member since	Membership on other supervisory boards
Shareholder representatives			
Prof. Siegfried Wolf (Chairman)	Businessman	September 15, 2021	Chairman of supervisory board at STEYR Automotive GmbH and member of supervisory board at MIBA AG, Mittelbauer Beteiligungs AG, Schaeffler AG, and Porsche Automobil Holding SE
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, Bilz 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 Management Consulting GmbH	September 15, 2021	Member of supervisory board at Villeroy & Boch AG and Stabilus SE[1]
Joachim Hirsch	Corporate consultant	September 15, 2021	
Prof. Sabina Jeschke	Manager/start-up founder/academic	September 15, 2021	
Klaus Rosenfeld	Chief Executive Officer of Schaeffler AG	September 15, 2021	Member of supervisory board at Continental AG
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

1) As of February 7, 2024, subject to a corresponding amendment of the articles of incorporation of Stabilus SE.

Members holding a position as at December 31, 2023	Occupation	Member since	Membership on other supervisory boards
Workforce representatives			
Ralf Schamel (Deputy Chairman)	IG Metall corporation adviser, Continental and Vitesco Technologies, IG Metall board, business policy department	September 15, 2021	Deputy chairman of supervisory board at Continental Automotive Technologies GmbH
Carsten Bruns	Chairman of works council at Vitesco Technologies GmbH, Regensburg site, and chairman of the European works council at Vitesco Technologies	September 15, 2021	
Kerstin Dickert	Head of department in central purchasing and chairwoman of the company spokesperson committee at Vitesco Technologies GmbH	March 1, 2023	
Yvonne Hartmetz	Deputy chairwoman of central works council at Vitesco Technologies Germany GmbH	September 15, 2021	Deputy chairwoman of supervisory board at Vitesco Technologies Germany GmbH
Lisa Hinrichsen	Member of Group works council at Vitesco Technologies, member of central works council at Vitesco Technologies GmbH, and 2nd chairwoman of Nuremberg works council	May 1, 2023	
Erwin Löffler	Group manager, QualityLabs and deputy chairman of works council at Vitesco Technologies Roding GmbH	September 15, 2021	
Kirsten Vörkel	Chairwoman of works council at Vitesco Technologies GmbH, Dortmund site and chairwoman of central works council at Vitesco Technologies GmbH	September 15, 2021	Deputy chairwoman of supervisory board at Vitesco Technologies GmbH
Anne Zeumer	Deputy branch director, IG Metall Chemnitz	September 15, 2021	

Members departed from the Supervisory Board in the fiscal year 2023	Member from/until
Lothar Galli	Sep. 15, 2021–Apr. 30, 2023
Michael Köppl	Sep. 15, 2021–Feb. 28, 2023

Members of the Supervisory Board committees:

Committee	Members as at December 31, 2023
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)
	Lisa Hinrichsen
	Yvonne Hartmetz
	Kerstin Dickert
	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
	Erwin Löffler
	Kerstin Dickert
Technology Committee (8)	Prof. Hans-Jörg Bullinger (Chairman)
	Carsten Bruns
	Yvonne Hartmetz
	Joachim Hirsch
	Prof. Sabina Jeschke
	Kerstin Dickert
	Georg F. W. Schaeffler
	Ralf Schamel

Emissions Committee (6)	Prof. Siegfried Wolf (Chairman)
	Yvonne Hartmetz
	Susanne Heckelsberger
	Joachim Hirsch
	Ralf Schamel
	Kirsten Vörkel
Committee on Schaeffler´s Tender offer (7) (established on October 9, 2023)	
	Joachim Hirsch (Chairman)
	Manfred Eibeck
	Susanne Heckelsberger
	Lisa Hinrichsen
	Ralf Schamel (until November 7, 2023)
	Anne Zeumer (from November 8, 2023)

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”), consisting of the consolidated statement of financial position as at December 31, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2023, along with the notes to the consolidated financial statements and including a summary of significant accounting policies. In addition, we have audited the management report for the Company and the Group (hereafter referred to as “combined management report”) of Vitesco Technologies Group AG for the fiscal year from January 1 to December 31, 2023.

In accordance with German statutory provisions, we did not audit the content of the elements of the combined management report that are specified in the appendix to the 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 IFRS 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 position of the Group as at December 31, 2023 and of its financial performance for the financial year from January 1 to December 31, 2023 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 sentence, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the combined management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and 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 these requirements, principles, and standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and Combined Management Report section in our auditor’s report. We are independent of the consolidated companies 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. Furthermore, we declare pursuant to EU-AR Art. 10(2)(f) 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 matters in the auditing of the consolidated financial statements

Key audit matters are such matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2023. These matters were taken into account in connection with our audit of the consolidated financial statements as a whole and in forming opinion thereon; we do not provide a separate opinion on these matters.

Impairment of goodwill

Please refer to the Goodwill subsection in Chapter 2. General Information and accounting Principles in the notes to the consolidated financial statements for information about the accounting policies applied and the assumptions used. Details about the amount of goodwill can be found in the notes to the consolidated financial statements in Chapter 13. Goodwill and other intangible assets

THE FINANCIAL STATEMENT RISK

As at December 31, 2023, goodwill amounted to €786.3 million. Comprising 28% of the Group’s equity, goodwill therefore plays a significant role for the Group’s assets. Goodwill is tested annually at the level of the cash-generating units regardless of indicators. If there are triggering events as at the end of a quarterly reporting period, event-based impairment testing is performed for the relevant quarterly reporting date. Impairment testing involves the carrying amount being compared with the recoverable amount for the relevant cash-generating unit. If the carrying amount exceeds the recoverable amount, an impairment loss must be recognized. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the cash-generating unit. The impairment test is complex and based on a number of discretionary assumptions. These include the expected business and earnings development of the cash-generating units, the long-term growth rates that are assumed, and the discount rate that is used. The market capitalization of Vitesco Technologies Group AG was below the net assets of the Vitesco Group as at March 31, 2023. Because of this deviation, event-based impairment testing was carried out for goodwill in all cash-generating units. As a result of the impairment tests carried out, the Vitesco Group recognized an impairment loss in the amount of €16.7 million. No additional impairment loss was identified during the annual impairment testing. 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 appropriate.

OUR AUDIT APPROACH

With the support of our measurement specialists, we assessed, among other things, the suitability of the key assumptions as well as the Company’s measurement model for event-based and 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 the Company’s previous planning accuracy by comparing plans from earlier fiscal years with the results that were actually realized and analyzed any deviations. To check that the measurement model had been implemented using appropriate methodology and mathematics, we replicated the measurement made by the Company using our own calculations and analyzed any deviations. We compared the assumptions and data underlying the discount rate, especially the risk-free rate, 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 investigated the impact of possible changes in the revenue, the discount rate, and the EBIT margin on the recoverable amount by calculating alternative scenarios and comparing them with the values stated by the Company (a sensitivity analysis). Finally, we assessed whether the disclosures in the notes regarding the impairment of goodwill were appropriate.

OUR OBSERVATIONS

The measurement model underpinning the event-based and annual impairment testing of goodwill is appropriate and consistent with the applicable measurement principles. The assumptions and data of the Company’s legal representatives that underpin the measurement are appropriate. The associated disclosures in the notes to the consolidated financial statements 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 Instruments subsection in Chapter 2. General Information and accounting Principles 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 Conti-nental 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, 2023, recognized a financial liability of €82.0 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 agreement made between the Vitesco Technologies Group AG, Vitesco Technologies GmbH, and Continental AG as part of the spin-off. Based on the Group-separation agreement Vitesco Group has an obligation 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 district attorneys in connection with the alleged usage of illegal defeat devices in IC engines. The financial liability was measured at amortized cost and is based on estimates by the Executive Board. 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 inquired among others the Executive Board as well as points of contact for General Accounting and Corporate Compliance. 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

The legal representatives and the Supervisory Board are responsible for the other information. Other information includes:

> the elements of the combined management report that are specified in the appendix to the auditor's report and the contents of which are not audited.

The other information additionally includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the audited disclosures in the combined management report, or our corresponding auditor's opinion.

Our opinions on the consolidated financial statements and combined management report do not cover the other information, and consequently we do not express an opinion or any other form of audit conclusion for it.

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 audited disclosures in the combined management report, 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 legal representatives and Supervisory Board for the consolidated financial statements and the combined management report

The legal representatives are responsible for the preparation of consolidated financial statements that comply, in all material respects, with the IFRS as applicable in 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, provide a fair presentation of the assets, finances, and earnings of the Group. Furthermore, the legal representatives are responsible for facilitating the internal controls they have deemed necessary for ensuring that the consolidated financial statements are free of material misrepresentations due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

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

Furthermore, the legal representatives are responsible for the preparation of a combined management report that, as a whole, provides a fair presentation 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 legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to facilitate the preparation of a combined management report that is in accordance with the applicable German legal requirements and for being able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the financial-reporting process of the Group for the preparation of the consolidated financial statements and the combined management report.

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

Our aim is to obtain reasonable assurance as to 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 overall provides a fair presentation of the position of the Group 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 fairly presents the opportunities and risks of future developments. Our aim is also to issue an auditor's opinion that contains our audit conclusions regarding the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit con-ducted in accordance with Section 317 HGB and the EU-AR and in compliance with the generally accepted German standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW) and additionally in compliance with the ISA 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 combined 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 the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

> Obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of precautions and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, although not for the purpose of issuing a conclusion about the effectiveness of these systems.

> Evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimates made by the legal representatives 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 the combined management report. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. We remain solely responsible for our opinions.

> Evaluate the consistency of the combined 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 combined 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 actions taken or safeguards applied to eliminate independence threats.

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file "vitesco-2023-12-31-de.zip" (SHA256 hash value: f590addef2ceead80fe9c496972b23df64e85362730a5c12a97d2c818c19b733) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January1 to December 31,2023 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QMS 1 ((09.2022)).

The legal representatives of the Company are responsible for the preparation of the ESEF documents including the electronic rendering 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 legal representatives of the Company are responsible responsible for such internal control that they have considered 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 Supervisory Board is responsible for overseeing the process for creating 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 on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- >Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- >Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- >Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements at the Annual General Meeting on May 17, 2023. We were engaged by the Supervisory Board on December 4, 2023. We have been the auditor of the consolidated financial statements of Vitesco Technologies Group AG without interruption since the 2021 fiscal year.

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 matters – Use of the Auditor’s Report

Our auditor’s report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the company register

– are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

Responsible auditor

The German Public Auditor responsible for the engagement is Isabel Zimmermann.

Munich, March 7, 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Signed Huber-Straßer	Signed Zimmermann
Auditor	Auditor

Appendix to auditor’s report: Elements and cross-references of the combined management report for which we did not audit the contents

We did not audit the contents of the following elements of the combined management report:

- The corporate-governance statement for the Company and the Group, which is referred to in the combined management report.
- The Chapter EU Taxonomy Regulation Disclosures in the combined non-financial statement for the Company and the Group, which is incorporated in the combined management report.
- The disclosures beyond the scope of management commentary as listed below. Disclosures beyond the scope of management commentary in the combined management report consist of such disclosures as are neither prescribed by HGB §§ 315, 315a or HGB §§ 315b to 315d nor stipulated by German Accounting Standard (DRS) 20.
    - Chapter: Risk and Opportunity Report, Subsection: Risk Management.

OVERVIEW – GROUP

		2023	2022	2021	2020	2019
Statement of financial position						
Non-current assets	€ million	3,767.9	3,809.8	3,879.1	3,732.6	3,967.0
Current assets	€ million	3,815.2	3,793.9	3,529.0	4,329.1	4,444.1
Total assets	€ million	7,583.1	7,603.7	7,408.1	8,061.7	8,411.1
Shareholders' equity (excl. non-controlling interests)	€ million	2,851.3	3,061.7	2,688.3	2,648.6	3,122.0
Non-controlling interests	€ million	–	–	–	–	56.9
Total equity (incl. non-controlling interests)	€ million	2,851.3	3,061.7	2,688.3	2,648.6	3,178.9
Equity ratio[1]	%	37.6	40.3	36.3	32.9	37.8
Capital expenditure[2]	€ million	536.0	492.7	599.5	480.0	782.4
Free cash flow	€ million	84.9	123.2	113.3	–455.7	55.4
Net liquidity	€ million	337.0	333.4	345.1	405.7	919.6
Gearing ratio	%	–11.8	–10.9	–12.8	15.3	–28.9
Income statement						
Sales	€ million	9,233.2	9,070.0	8,348.5	8,027.7	9,092.5
Share of foreign sales	%	80.5	81.8	83.9	82.8	83.0
Cost of sales[3]	%	84.7	87.2	86.6	86.8	86.7
Research and development costs (net)[3]	%	7.4	7.3	8.3	8.5	8.0
Distribution and logistics costs[3]	%	1.6	1.6	1.7	1.9	2.1
General administrative costs[3]	%	2.7	2.3	2.6	3.2	2.9
EBITDA	€ million	748.1	703.3	523.9	252.9	179.8
EBITDA[3]	%	8.1	7.8	6.3	3.2	2.0
EBIT	€ million	172.2	143.3	39.5	–324.3	–635.2
EBIT[3]	%	1.9	1.6	0.5	–4.0	–7.0
ROCE	%	6.0	5.2	1.6	–11.5	–22.7
Personnel expenses	€ million	2,230.7	2,112.9	1,974.7	1,834.5	2,053.6
Depreciation, amortization, and impairment[4]	€ million	575.9	560.0	484.4	577.2	814.9
Net income attributable to the shareholders of the parent	€ million	–96.4	23.6	–122.0	–376.7	–659.9
Dividend and earnings per share[5]						
Dividend for the fiscal year	€ million	–	–	–	–	–
Number of shares as at December 31	millions	40.0	40.0	40.0	–	–
Dividend per share[5]	€	0.25	–	–	–	–
Net income (per share) attributable to the shareholders of the parent	€	–2.41	0.59	–3.05	–	–
Employees						
Annual average		37,421	37,964	38,958	39,539	40,844

1) Including non-controlling interests.
2) Capital expenditure on property, plant, and equipment and software. Including IFRS 16 Leases.
3) As a percentage of sales.
4) Excluding impairment on financial investments.
5) Subject to approval at the Annual General Meeting on April 24, 2024.

FINANCIAL CALENDAR

2024	
Financial Press Conference	March 14
Analyst and Investor Conference Call	March 14
Annual General Meeting	April 24
Quarterly Report as at March 31, 2024	May 08
Half-Year Financial Report as at June 30, 2024	August 13
Quarterly Report as at September 30, 2024	November 14

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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