



# Sustainability Presentation

## JP Morgan Global SRI Conference 2018

Paris – March 14-15, 2018  
Rolf Woller, Head of IR

Ticker: CON  
ADR-Ticker: CTTAY  
<http://www.continental-ir.com>

Investor Relations

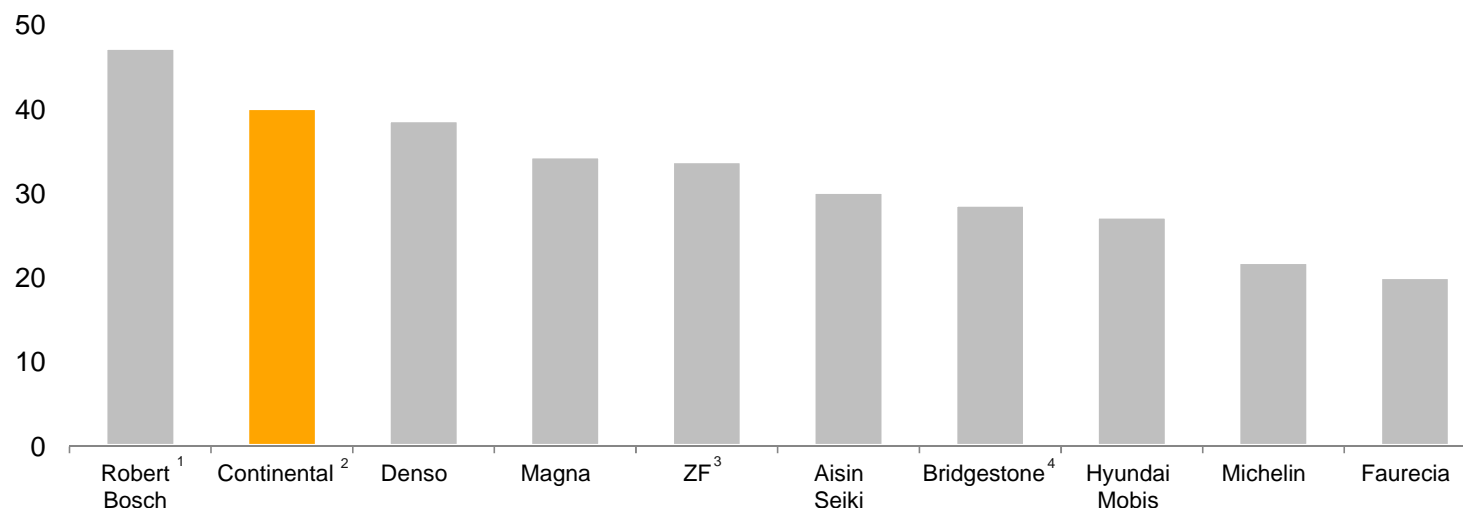
# Agenda

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# 1) Continental at a Glance

## Continental Ranks No. 2 in Worldwide Supplier Ranking

Top 10 Global OEM Suppliers – 2017 Sales (€ bn)



<sup>1</sup> Robert Bosch only includes Mobility Solutions division

<sup>2</sup> Continental not including ContiTech industrial business and other non-OE automotive business

<sup>3</sup> ZF excluding Industrial Technology business

<sup>4</sup> Bridgestone including Diversified Products

Source: Company filings. Calendarized to Dec. year-end. Based on average currency exchange rates 2017



# 1) Continental at a Glance

## Megatrends in the Automobile Industry

### Environment – For Clean Power



#### CO<sub>2</sub> Fleet Emission Targets 2020/21 (NEDC)<sup>1</sup>

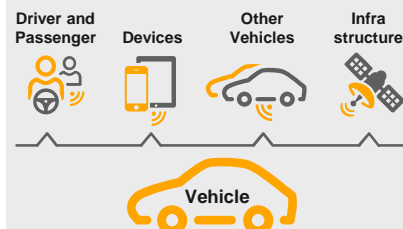
Europe	95g/km <sup>2</sup>
USA	125g/km
China	117g/km
Japan	122g/km

<sup>1</sup>New European Driving Cycle.  
<sup>2</sup>Mandatory for 95% of the OEMs fleets.  
 Source: IC CT Int. Council of Clean Transportation,  
 Global Passenger Vehicle FE/GH G regulations (2/2016).

### Information – For Intelligent Driving



#### Connectivity



### Safety – For Safe Mobility



#### Road Traffic Deaths

Number of Road Traffic Deaths per 100,000  
Inhabitants by Region<sup>1</sup>

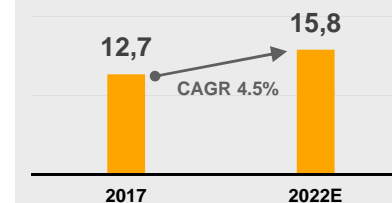
Europe and Russia	9.3
Eastern Mediterranean	19.9
Americas	15.9
Africa	26.6
South East Asia	17.0
Western Pacific	17.3

<sup>1</sup>Data based on framework created by the World Health  
 Organization (WHO) for estimating road traffic mortality.  
 Source: Global Status Report on Road Safety, World Health  
 Organization (WHO) 2015.

### Affordable Cars – For Global Mobility



#### A&B Production Segment<sup>1</sup> in BRIC (mn units)



Source: IHS February 2018.  
<sup>1</sup>Including Mini Full-Frame.

# 1) Continental at a Glance

## A Leading Global Supplier for Key Automotive Electronics Applications

### Chassis & Safety

- › Actuation
- › Advanced driver assistance systems (ADAS)
- › Airbag electronics
- › Electronic brake systems (EBS)
- › Foundation brake systems

<b>Sales 2017</b>	<b>€9,768 mn</b>
% of total	22%
<b>Adj. EBIT<sup>1</sup></b>	<b>€898 mn</b>
Adj. EBIT margin	9.2%

ADAS<sup>2</sup> installation rate worldwide

**1.20** → **2.46**  
2017 CAGR 15% 2022E

### Powertrain

- › Diesel injection systems
- › Gasoline injection systems
- › Transmission control units
- › Turbochargers
- › 48 V and plug-in hybrid
- › Full electric vehicle

<b>Sales 2017</b>	<b>€7,661 mn</b>
% of total	17%
<b>Adj. EBIT<sup>1</sup></b>	<b>€474 mn</b>
Adj. EBIT margin	6.2%

Gasoline direct injection systems  
installation rate worldwide<sup>3</sup> (%)

**39%** → **64%**  
2017 2022E

### Interior

- › Body and security products
- › Commercial vehicle interiors
- › Device connectivity and telematics units
- › Instrumentation, displays and human machine interfaces
- › Intelligent transport systems

<b>Sales 2017</b>	<b>€9,305 mn</b>
% of total	21%
<b>Adj. EBIT<sup>1</sup></b>	<b>€851 mn</b>
Adj. EBIT margin	9.2%

Market for automotive electronics<sup>4</sup> (USD bn)

**255** → **317**  
2016 CAGR 4% 2021E

<sup>1</sup> Before amortization of intangibles from PPA, consolidation and special effects.

<sup>2</sup> ADAS: Advanced Driver Assistance System. Average amount of ADAS including sensing rear/surround view cameras but w/o parking assist functions based on ultrasonic technology.

<sup>3</sup> Source: IHS, February 2018.

<sup>4</sup> Source: Strategy Analytics: Automotive Electronics System Demand Forecast 2012 to 2021, Jan 2015.



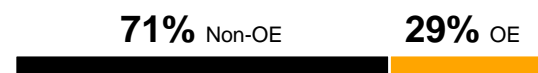
# 1) Continental at a Glance

## A Leading Global Supplier of Tire and Non-Tire Rubber Products

### Tires

Passenger & Light Truck Tires		Commercial Vehicle Tires	
Markets	<ul style="list-style-type: none"> <li>› EMEA</li> <li>› The Americas</li> <li>› APAC</li> </ul>	Markets	<ul style="list-style-type: none"> <li>› EMEA</li> <li>› The Americas</li> <li>› APAC</li> </ul>
Products	<ul style="list-style-type: none"> <li>› Original Equipment</li> <li>› Replacement</li> <li>› Summer tires, winter tires, high-performance tires</li> </ul>	Products	<ul style="list-style-type: none"> <li>› Original Equipment</li> <li>› Replacement</li> <li>› Commercial specialty tires</li> </ul>
Sales 2017		€11,326 mn	
% of total		26%	
Adj. EBIT <sup>1</sup>		€2,128 mn	
Adj. EBIT margin		19.0%	

Sales breakdown (%)



### ContiTech

- › Air springs for railway, trucks and buses
- › Automotive hoses and hose lines
- › Automotive interior trim
- › Conveyor belts
- › Elastomer coatings
- › Industrial hoses
- › Multiple V-ribbed belts and timing belts
- › Vibration absorbers

Sales 2017	€6,246 mn
% of total	14%
Adj. EBIT <sup>1</sup>	€515 mn
Adj. EBIT margin	8.8%

Sales breakdown (%)



<sup>1</sup> Before amortization of intangibles from PPA, consolidation and special effects.



## 1) Continental at a Glance

### Systematic Entrepreneurial Approach

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**Environment –**  
For Clean Power

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**Information –**  
For Intelligent Driving

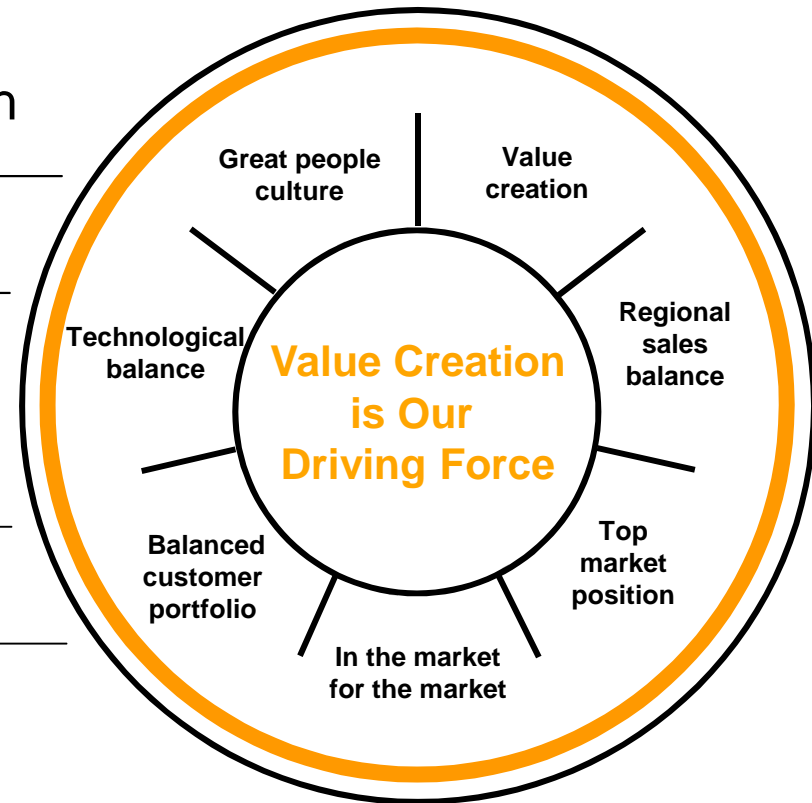
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**Safety –**  
For Safe Mobility

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**Affordable Cars –**  
For Global Mobility

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# 1) Continental at a Glance

## Corporate Strategy at a Glance

Hoshin Kanri matrix

### Vision

**Your mobility.  
Your freedom.  
Our signature.**

### Growth forces

#### Customers

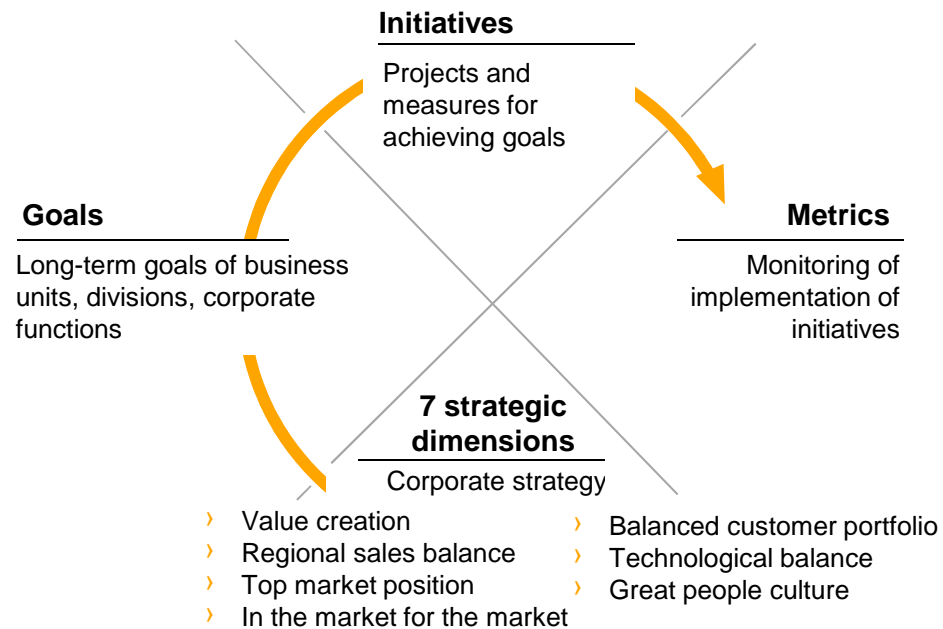
Growth driven by our innovative software for systems solutions

#### Processes

The leading quality and technology company in our industries

#### Employees

Perceived as most attractive and most progressive employer



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## 2) Sustainability at Continental

### Our Policies and Guidelines

#### Principles of our Corporate Social Responsibility



##### Environmental Responsibility

ESH<sup>1</sup> Policy – implements worldwide the responsibility for protecting the environment



##### Social Responsibility

Business Partner Code of Conduct – personal ethics, conflicts of interest

The BASICS – the guidelines, codex and basic principles of our business activities



##### Corporate Governance

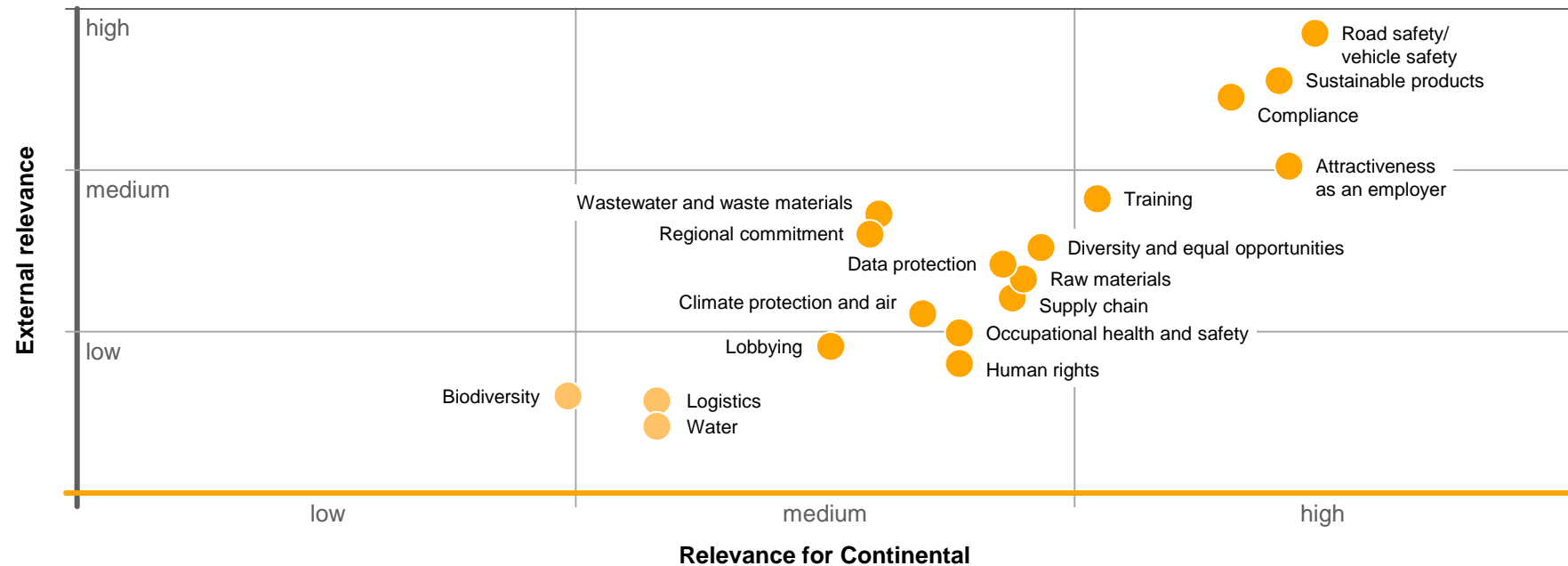
Corporate Governance Policy – to further a responsible management of the company focused on value creation

Risk Report – overview of our Risk Management

### OUR BASICS Our corporate guidelines

<sup>1</sup> Environment, Safety and Health.

## 2) Sustainability at Continental Materiality Matrix



For more information please go to the [GRI Report 2016](#), page 10ff.

## 2) Sustainability at Continental Roadmap 2020

In 2015, we developed a consolidated sustainability program and set ourselves goals for 2020 in order to achieve measurable improvement in our four fields of action. Some of these extend until 2025.

These are the fields of activity and main goals form our Roadmap 2020:



### Environment

- › Climate protection/air
- › Waste
- › Water



### Employees and society

- › Diversity and equal opportunities
- › Occupational safety and health
- › Attractiveness as an employer
- › Job training and continuing education



### Corporate governance and corporate culture

- › Compliance and Supply Chain
- › Lobbying



### Products

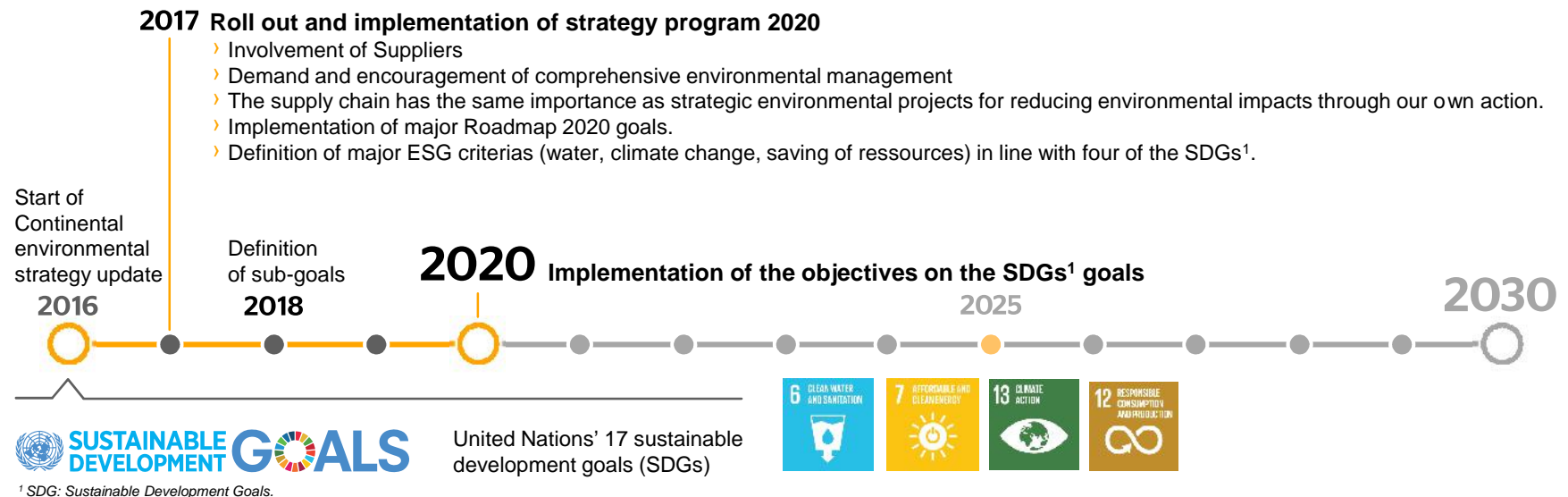
- › Road and vehicle safety
- › Raw materials
- › Sustainable products

For more information please go to the [GRI Report 2016](#), page 12ff.

## 2) Environmental Responsibility

### Environmental Strategy 2020

**Sustainable management at all stages of the value chain and throughout the entire life cycles of our products is now an essential part of our philosophy.**



### 3) Environmental Responsibility

#### Status of Environmental Certification at Continental

**Continental established an environmental management system throughout the corporation more than 30 years ago.**

Our activities are geared toward continually optimizing the use of resources in relation to business volume. We manufacture products that make an active contribution toward protecting the environment and conserving resources throughout their entire duration of use as well as when they are ultimately recycled.

In manufacturing, we are aiming for a 20% reduction in relation to the adjusted sales volume of energy and water consumption, CO<sub>2</sub> emissions and waste generation by 2020<sup>1</sup> (base year: 2013). At the same time we are doing our best to increase the recycling rate of industrial waste by 2% each year.



### 3) Environmental Responsibility

#### Status of Quality Certification at Continental

**Quality** is the totality of features and characteristics of a product or service that bear on its ability to satisfy a given need.

'The ISO 9000 family addresses various aspects of quality management and contains some of ISO's best known standards.'<sup>1</sup>

'The standards provide guidance and tools for companies and organizations who want to ensure that their products and services consistently meet customer's requirements, and that quality is consistently improved.'<sup>1</sup>

##### ISO/TS 16949<sup>1</sup>

Specifies requirements using ISO 9001 for service and replacement production in the automobile industry.

	ISO/TS 16949	ISO 9001 or ISO/TS 16949
Automotive Group: Production sites	100%	
Rubber Group Tires: Production plants		100%
Rubber Group ContiTech: Production sites		100%

<sup>1</sup> Source: ISO (International Organization of Standardization) [www.iso.org/iso/home.html](http://www.iso.org/iso/home.html).

### 3) Environmental Responsibility

#### Certification of Suppliers

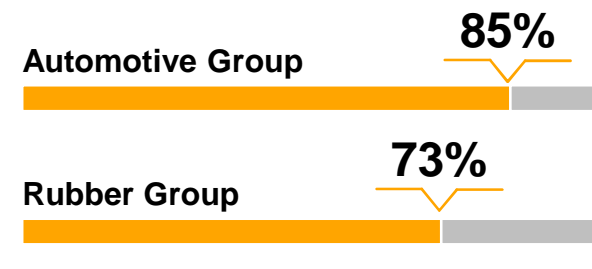
**Goal by 2020<sup>1</sup>:** 100% of strategic suppliers meet ISO 14001 requirements

1. **Assessments** to determine status of the supplier.
2. **Measures** (joint projects, training sessions, and workshops for example) are initiated to achieve our goals in supplier development as necessary.

We monitor the environmentally friendly production of our suppliers ww as part of internal supplier audits. Relevant issues in the scope of these audits include compliance, organization and the provision of resources for EH&S.

Starting in 2017, we will systematically evaluate our suppliers based on sustainability criteria with the help of an independent service provider. Our goal in doing so is to better fulfill our responsibilities and ensure that we are able to comply with our requirements within the worldwide supply chain.

 **ISO 14001**  
certified Suppliers



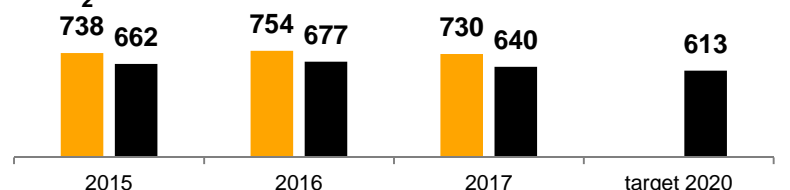
<sup>1</sup> Roadmap 2020.  
Source: Sustainability Report 2016, page 22.

### 3) Environmental Responsibility

#### Corporate Environmental Key Performance Indicators

Figures increased because environmental data from a major acquisition was included for the first time, although its sales were already included in 2015 in association with the consolidation.

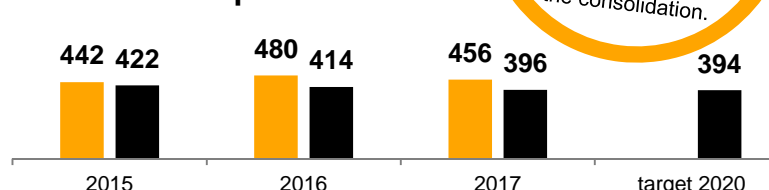
##### CO<sub>2</sub> Emissions<sup>1</sup>



■ Specific CO2 emissions (100kg/€ mn adjusted sales) for all plants (including acquisitions and new constructions)

■ Specific CO2 emissions for plants included in 2013

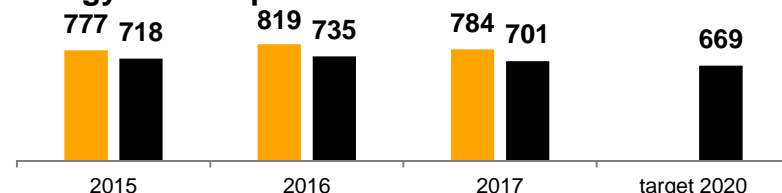
##### Water consumption<sup>1</sup>



■ Specific water consumption (m3/€ mn in adjusted sales) for all plants (including acquisitions and new constructions)

■ Specific water consumption for all plants included in 2013

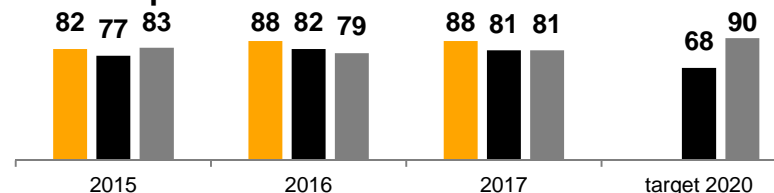
##### Energy consumption<sup>1</sup>



■ Specific energy consumption (GJ/€ mn in adjusted sales) for all plants (including acquisitions and new constructions)

■ Specific energy consumption for plants included in 2013 (GJ/€ mn in adjusted sales)

##### Waste production<sup>1</sup>



■ Specific waste generation (100kg/€ mn in adjusted sales) for all plants (including acquisitions and new constructions)

■ Specific waste generation for plants included in 2013

■ Waste recycling (%)

<sup>1</sup> Reviewed with limited assurance by an independent auditor.



### 3) Environmental Responsibility

#### Corporate Environmental Key Performance Indicators

##### Scope 3 emissions in metric tons of CO<sub>2</sub>

› Self commissioned incoming logistics	1,152,124
› Self commissioned outgoing logistics	539,058
› Purchased goods and services	8,721,849
› Waste produced through operational processes	20,660
› Fuels and energy-related activities not included in Scope 1 and 2	449,081
<b>Total</b>	<b>10,882,772</b>

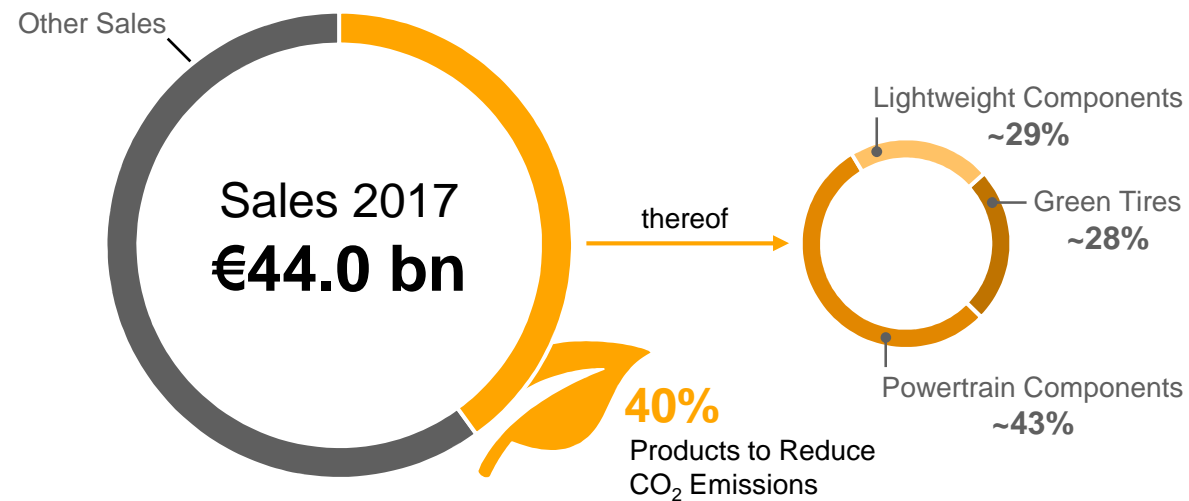
For the selected indirect CO<sub>2</sub> emissions (Scope 3), we follow international standards such as the Corporate Value Chain Accounting and Reporting Protocol of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).



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### 3) Environmental Responsibility

#### Sales of Products to Reduce CO<sub>2</sub> Emissions



#### › Green tires

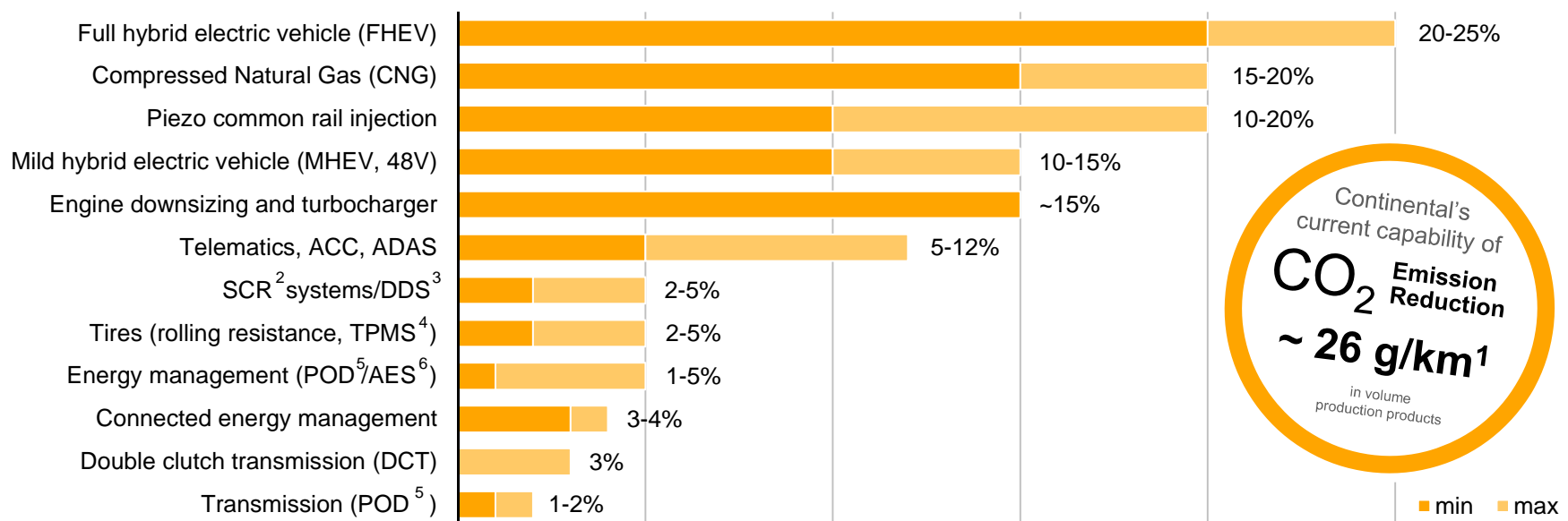
Tires optimized on rolling resistance (all tires labelled B and better)

#### › Lightweight components

Light weight brakes, road database (green maps), intelligent transportation systems

### 3) Environmental Responsibility

#### Sustainable Product-Solutions for Automotive Industry by Continental



<sup>1</sup> Saving potential compared with gasoline direct injection Euro 5 / NEDC.

<sup>2</sup> SCR = Selective Catalytic Reduction.

<sup>3</sup> DDS = DEKA injector for diesel dosing into exhaust gas.

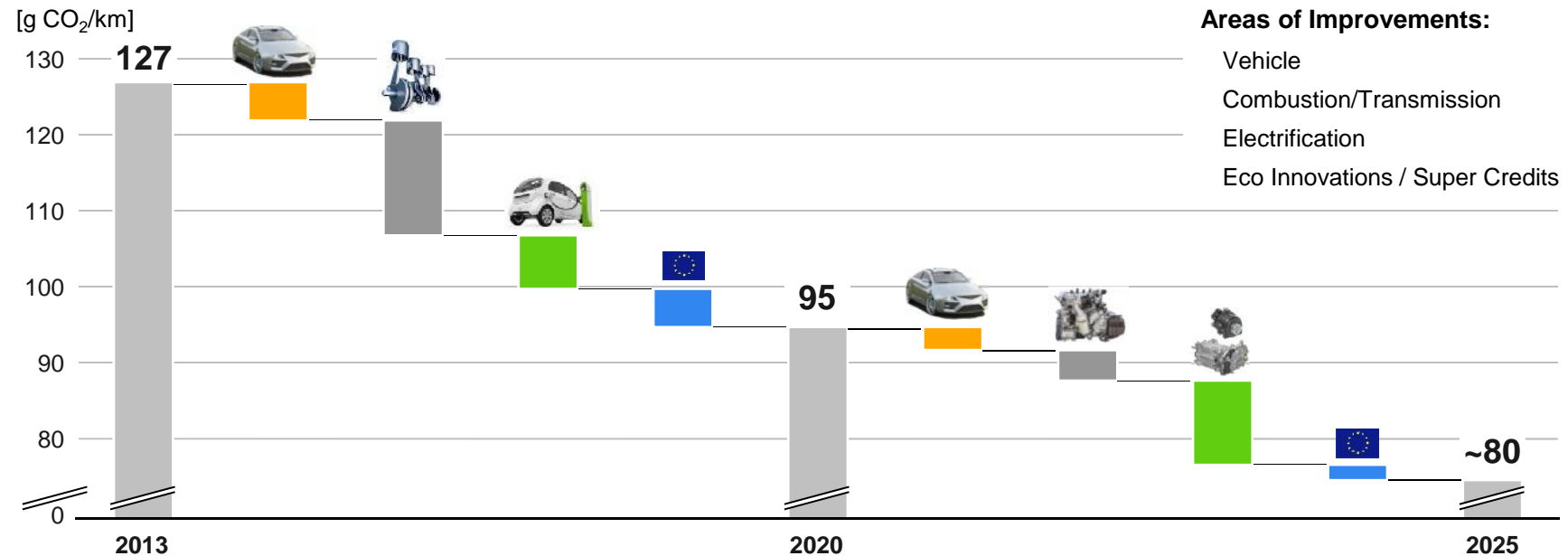
<sup>4</sup> TPMS = Tire Pressure Monitoring System.

<sup>5</sup> POD = Power-On-Demand.

<sup>6</sup> AES = Advanced Energy Supply.

## 4) Technologies in the Automotive Group

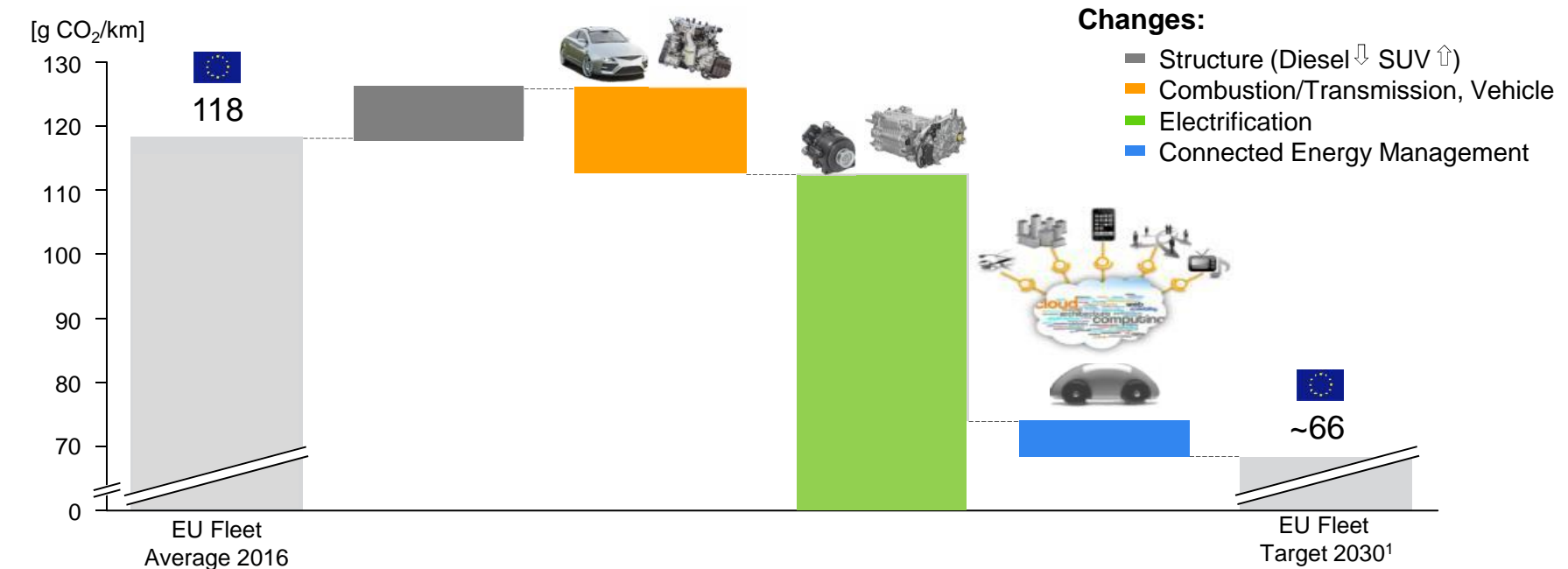
How to Reach the European CO<sub>2</sub> Target of about 80g/km



<sup>1</sup> Assumptions for CO<sub>2</sub> target in the EU by 2025.

## 4) Technologies in the Automotive Group

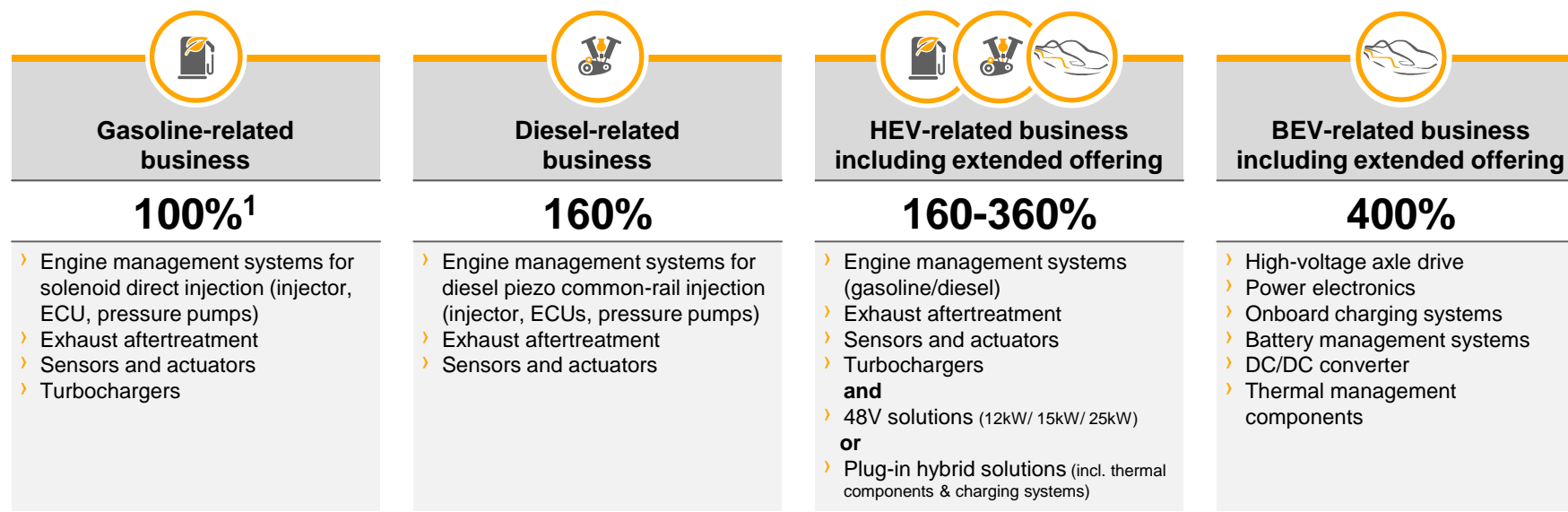
Main Driver for CO<sub>2</sub> Reduction until 2030



<sup>1</sup> Proposed 30% reduction for 2030 EU PV fleet target.

## 4) Technologies in the Automotive Group

### Powertrain – Relative Value of Continental's Content<sup>1</sup>



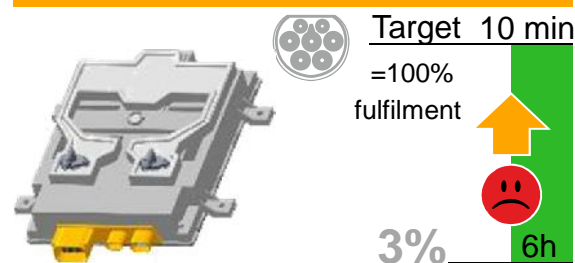
**Well positioned in all key technologies!**

<sup>1</sup> Value of displayed gasoline content per car is indexed at 100%; all other values read relative to the gasoline content.

## 4) Technologies in the Automotive Group

### Powertrain – Solutions for Charging

#### Conductive Charging (Basic Charging)



##### On-board charger (3.6 - 11kW)

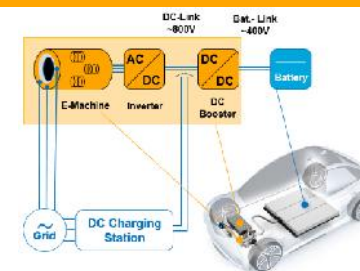
- › Recharge high-voltage battery from power grid
- › Unique electronic topology → worldwide charging

#### Inductive Charging (Improved Convenience)



- › High-voltage battery charging
- › 11kW power transfer
- › Including all safety features

#### AllCharge® (Bi-directional Charging)



##### 'Universal charger' for all types of cable-based charging stations:

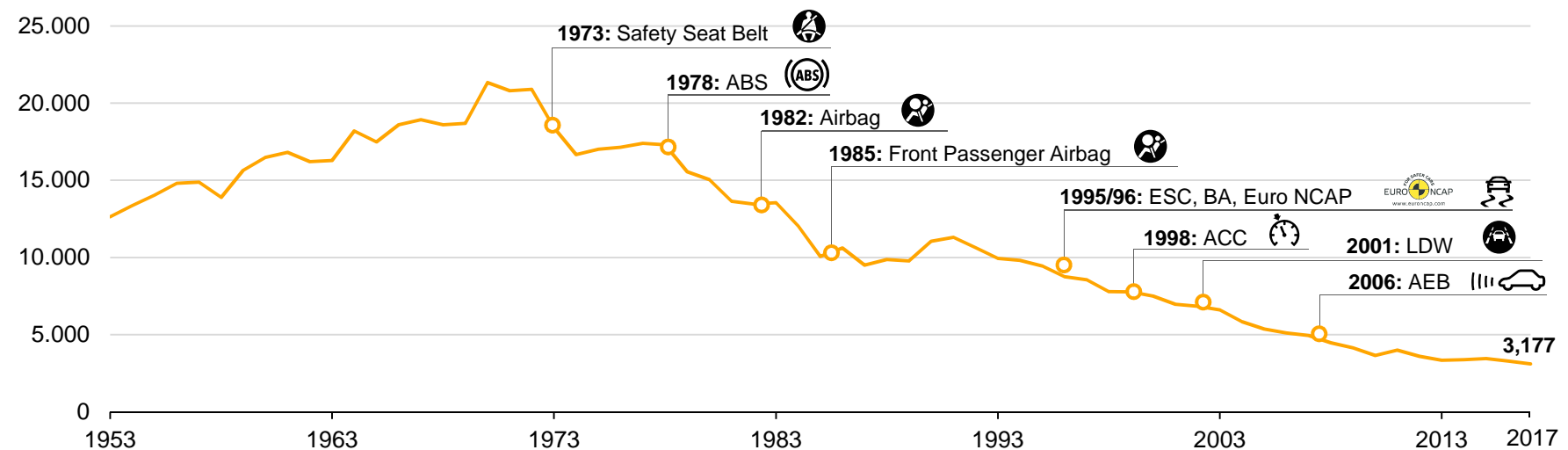
- › Up to 800V/350kW
- › Up to 12-times faster charging at urban AC charging stations

**Battery performance and convenient charging are crucial for the success of electric mobility**

## 4) Technologies in the Automotive Group

### Chassis & Safety – History and Roadmap for Accident-Free Driving

#### Fatal Accidents in Germany 1953 - 2017






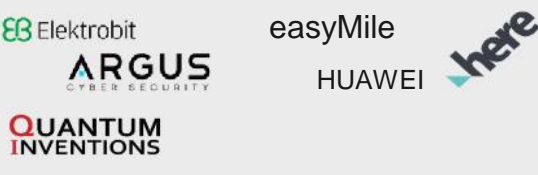

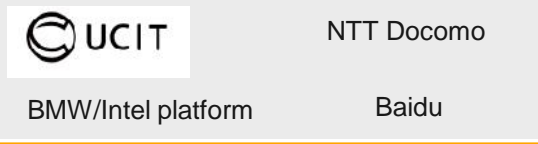
\*Federal Statistics Office, Germany (Destatis);

ABS - Anti-lock Brake System, ESC - Electronic Stability Control, BA - Brake Assist, ACC - Adaptive Cruise Control, LDW - Lane Departure Warning, AEB - Autonomous Emergency Braking.



## 4) Technologies in the Automotive Group

### Chassis & Safety – Market for Automated Driving: Three-Layer Model

Market for Automated Driving ~€35 bn <sup>1</sup> by 2025			Recent additions to the portfolio (incl. cooperations and JVs)	
Components	Sensors	~€26 bn <sup>1</sup>		
System	Electronics Software Integration	~€7 bn <sup>1</sup>		
Environmental Model	Software Electronics	~€2 bn <sup>1</sup>		

<sup>1</sup> Source: Continental estimates.

## 4) Technologies in the Automotive Group

### Chassis & Safety – Self Driving Car Project CUbE

#### Continental Urban Mobility Experience

##### Driving Intelligence

- › Situation analysis
- › Decision-making
- › Low-level vehicle control
- › ADCU (mid-term)

##### Localization

Robust localization in urban areas

- › Radar
- › Wireless infrastructure beacons

##### Seat Material

Tailored seat surfaces

- › Resilient
- › Easy to clean
- › Comfortable



##### Tires

- › ContiEcoContact™ 5

##### Drive Module

- › One axle drive from Continental (2018)

##### Camera Sensing

- › Object detection
- › Barrier detection
- › Front sensor cover drive path

##### Radar Sensing

Short range sensor

- › Object detection
- › Barrier detection
- › 4 sensors for 360° view

##### Lidar Sensing

Solid state flash lidar (mid-term)

- › Object detection
- › Barrier detection
- › 4 sensors for 360° view

**We will become a full system supplier!**

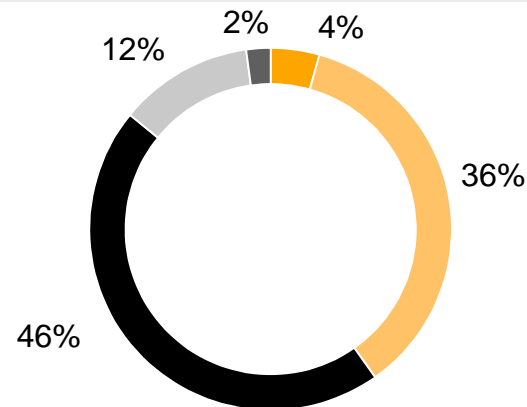
## 5) Technologies in the Rubber Group

### Tires – Recycling and Recovery



#### End-of-life tires in the European Union<sup>1</sup>

A total of approximately 3.25 million tons of used tires accumulate in the EU per year.



■ Civil Engineering ■ Recycling ■ Energy ■ Reuse/Export ■ Landfill ■ MJ per kg tire compound

#### Recycling versus raw material<sup>2</sup>

Energy needed to produce 1kg of tire compound



<sup>1</sup> Source: ETRMA, June 29, 2016.

<sup>2</sup> Source: Continental Reifen Deutschland.

## 5) Technologies in the Rubber Group

### Tires – ContiLifeCycle

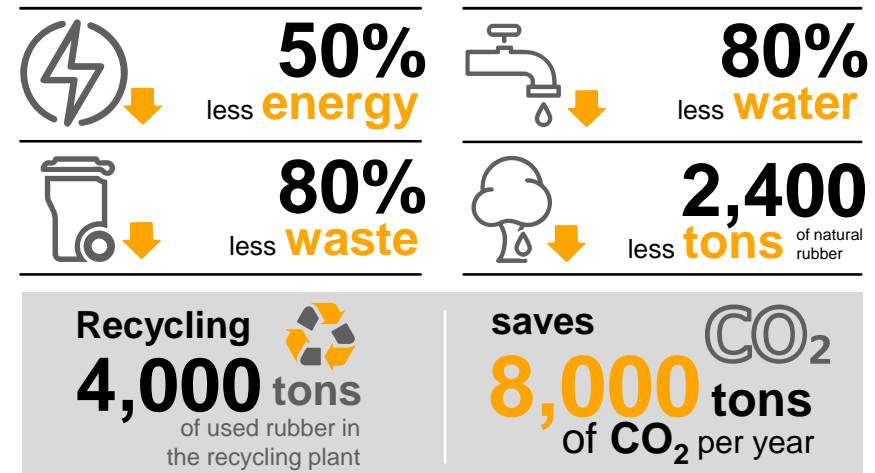


**Breathing life into tires a second and even a third time is the basic idea behind the ContiLifeCycle approach.**

Using a novel and proprietary process, Continental has succeeded in recycling rubber from used tires in such a way that the raw material will be directly returned into the production cycle for new or retreaded tires.

At ContiLifeCycle (CLC) plants, we reprocess worn-out truck tires in a retreading process that conserves resources. The rubber powder that is produced during retreading is further processed into recyclate, which is used in the production of new and retreaded tires.

The retreaded tires offer the same performance characteristics and rolling resistance as new tires.



<sup>1</sup>Source: United States Environmental Protection Agency (EPA), September 2012

## 5) Technologies in the Rubber Group

### Tires – Rubber from Dandelions



- › Innovation and the Green Award both at the international trade fair Automechanika 2016
- › Joseph von Fraunhofer Prize 2015
- › GreenTecAward 2014

This natural rubber used from dandelion roots has at least the same quality and performance characteristics as conventional rubber from rubber trees.

The plants can be cultivated in Northern and Western Europe on land that is unsuitable for food crops. “Plantations beside the tire plants” in Central Europe makes both economic and ecological sense.

The new dandelion rubber Taraxagum should enter production within the next five to ten years and then flow step-by-step into our rubber products.

Benefits:

- › Reduction in dependency on harvest situation in subtropical regions
- › Lower requirements on the fertility of the soil
- › Lower environmental impact due to reduced logistic requirements
- › Optimal material properties enable first-class products in terms of technology



<sup>1</sup> Reviewed with limited assurance by an independent auditor.

## 5) Technologies in the Rubber Group

Sustainable Product-Solutions for a Variety of Industries by ContiTech

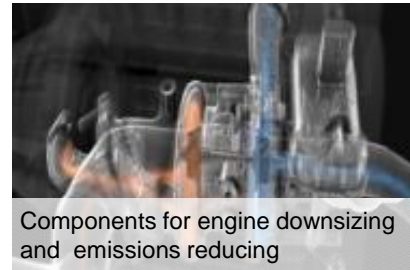
**Technological expertise for customer-specific solutions**



Health-friendly interiors



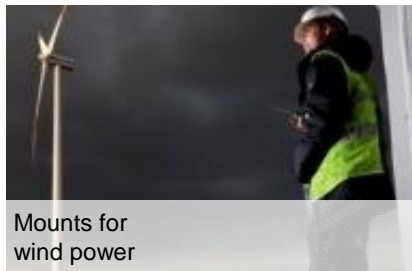
Printing technology for printed electronics/solar cells



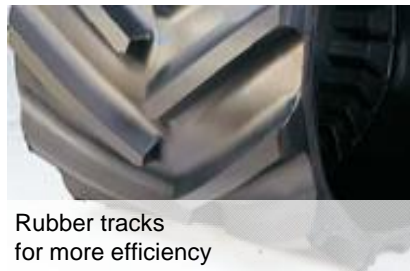
Components for engine downsizing and emissions reducing



Climate-friendly printing blankets



Mounts for wind power



Rubber tracks for more efficiency



Flexible insulation for energy saving



Hoses for energy storage in the sea



Thank you!



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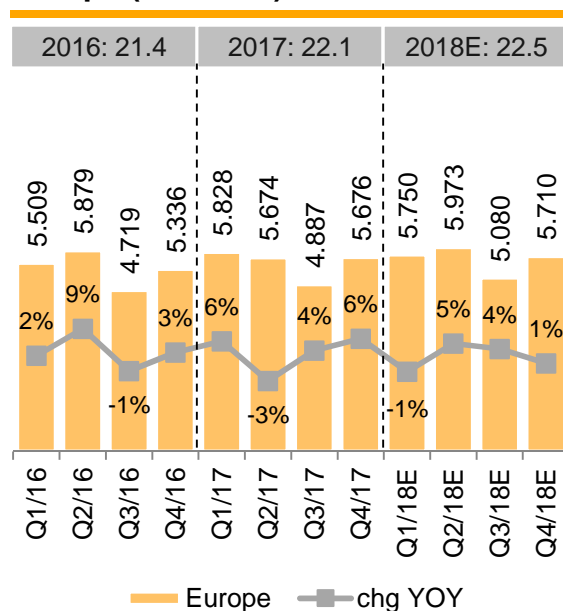
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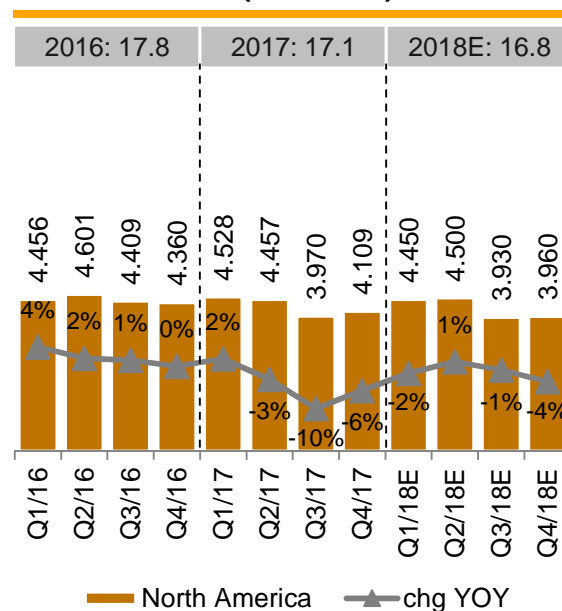
## 5) Outlook 2018

### PC & LT Production by Quarter<sup>1</sup>

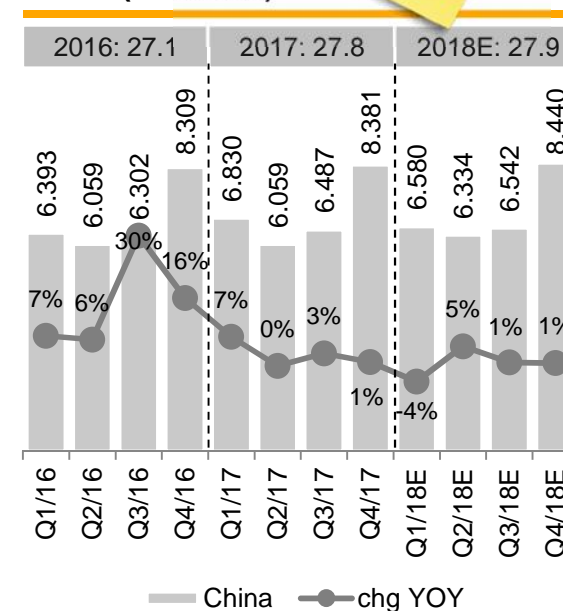
Europe (mn units)



North America (mn units)



China (mn units)



Reminder:  
Global car production  
was up **6%** in Q1 2017  
We expect global car  
production to be at  
best flat in Q1 2018

<sup>1</sup> Source: IHS until 2017 and own estimates, Europe excluding Kazakhstan and Uzbekistan

## 5) Outlook 2018

### Market Outlook

#### PC & LT<sup>1</sup> Production (mn units)

Worldwide production to increase more than 1%		2017E	2018E	Chg.
	Europe	22.1	<b>22.5</b>	<b>+2%</b>
	North America	17.1	<b>16.8</b>	<b>-2%</b>
	South America	3.3	<b>3.6</b>	<b>+8%</b>
	Asia	51.5	<b>52.5</b>	<b>+2%</b>
IHS and own estimates				

#### PC & LT<sup>1</sup> Replacement Tire Market (mn units)

Worldwide replacement tire market to increase by 3%		2017E	2018E	Chg.
	Europe	351	<b>358</b>	<b>+2%</b>
	North America	285	<b>290</b>	<b>+2%</b>
	South America	73	<b>76</b>	<b>+4%</b>
	Asia	453	<b>475</b>	<b>+5%</b>
LMC and own estimates				

<sup>1</sup> Passenger car and light truck <6t

<sup>2</sup> Medium and heavy vehicles >6t

<sup>3</sup> Radial and bias

#### Commercial Vehicle<sup>2</sup> Production (k units)

Worldwide production to decrease by 1%		2017E	2018E	Chg.
	Europe	660	<b>673</b>	<b>+2%</b>
	North America	513	<b>559</b>	<b>+9%</b>
	South America	102	<b>112</b>	<b>+10%</b>
	Asia	2,140	<b>2,033</b>	<b>-5%</b>
IHS and own estimates				

#### Commercial Vehicle Replacement<sup>3</sup> Tire Market (mn units)

Worldwide replacement market to increase by 2%		2017E	2018E	Chg.
	Europe	25.3	<b>25.8</b>	<b>+2%</b>
	North America	24.5	<b>25.3</b>	<b>+3%</b>
	South America	15.7	<b>16.4</b>	<b>+5%</b>
	Asia	89.2	<b>91.0</b>	<b>+2%</b>
LMC and own estimates				



## 5) Outlook 2018

### Continental Corporation

Preliminary

	2017	2018E
Consolidated sales	€44.0 bn	To increase to ~€47 bn at constant FX rates
adj. EBIT <sup>1</sup> margin	10.9 %	~10.5% adj. EBIT <sup>1</sup> margin
Automotive Group	€26.6 bn	To increase to ~€28.5 bn at constant FX rates
adj. EBIT <sup>1</sup>	€2.2 bn	~8.5% adj. EBIT <sup>1</sup> margin
Rubber Group	€17.5 bn	To increase to ~€18.5 bn at constant FX rates
adj. EBIT <sup>1</sup>	€2.6 bn	~15% adj. EBIT <sup>1</sup> margin
Raw materials cost impact	More than €450 mn for the Rubber Group	Raw materials to burden Rubber Group with about €50 mn, based on current estimates
Special effects	-€14 mn	-€100 mn
Financial result	-€187 mn at constant FX <sup>2</sup>	<-€180 mn at constant FX rates
Tax rate	29%	<30%
Capex	€2.9 bn	Capex at around 7% of sales
PPA amortization	€171 mn	~€180 mn
Free cash flow before acquisitions	€2.3 bn	~€2 bn

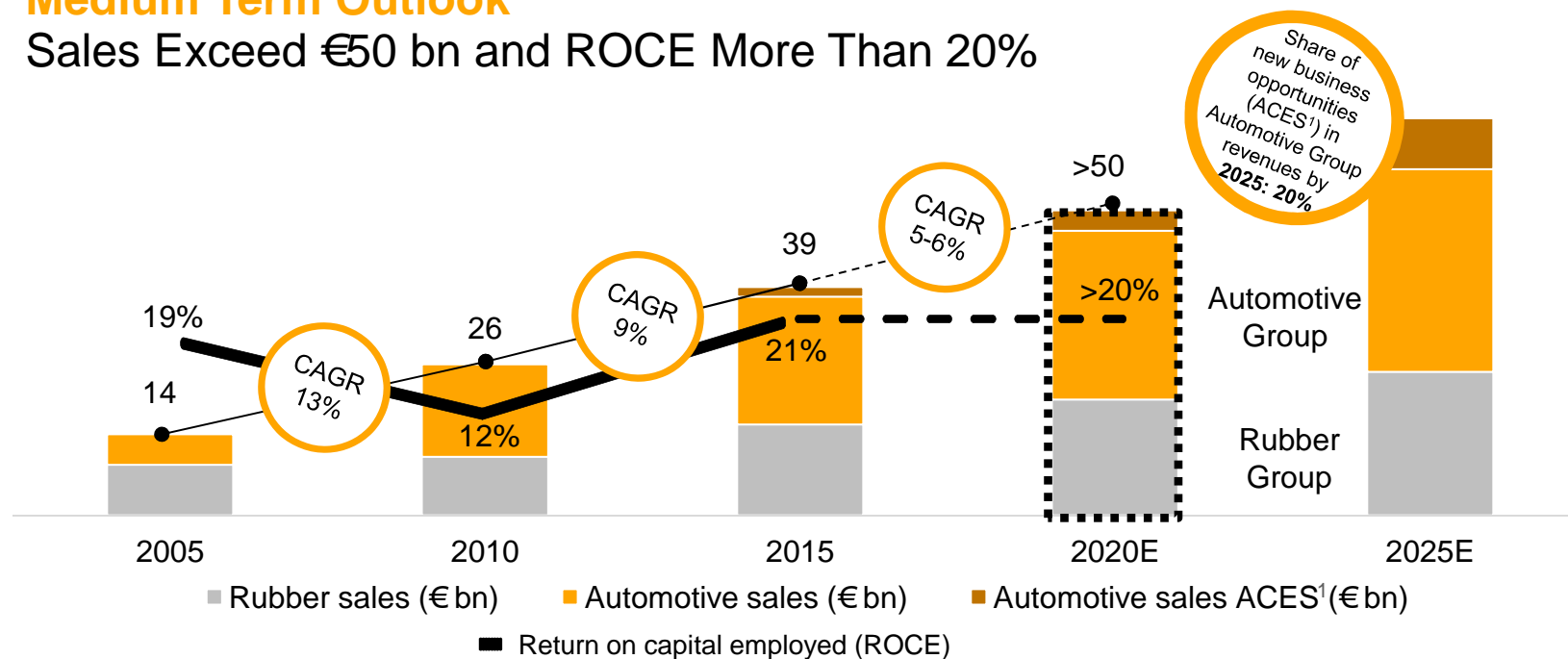
€1 bn negative FX translation effect if current exchange rates would represent the average for 2018

<sup>1</sup> Before amortization of intangibles from PPA, consolidation and special effects

<sup>2</sup> Before effects of currency translation and effects from changes in the fair value of derivative instruments and other valuation effects

## 6) Medium Term Outlook

Sales Exceed €50 bn and ROCE More Than 20%



Global PC & LT<sup>2</sup>  
Production CAGR

2005-2010: 3%

2010-2015: 4%

2015-2020E: 1-2%



<sup>1</sup> ACES: Automated Driving, Connectivity, Electrification and Smart Mobility  
<sup>2</sup> Passenger car and light truck

Sustainability Presentation  
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