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(CES 2018 – Driving the Future of Mobility
Strategy Presentation

Dr. Elmar Degenhart – CEO)
AGENDA

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1) Automotive Trends
New Business Opportunities Arise

› Revenue pool for suppliers reached more than €1 trn in 2017

› Business related to “established” business will grow by ~1% p.a. and reach ~€1.1 trn in 2025

› Revenues share of Electrification\(^1\), Automated Driving and Holistic Connectivity represented in total <3% in 2017

› Revenue share of Electrification\(^1\), Automated Driving and Holistic Connectivity will grow by ~30% p.a. to >€200 bn in 2025

› It will account for ~15% of the overall supplier revenue market by 2025

Sources: Roland Berger and Continental estimates. FX rate assumption 1.13 EUR/USD.

\(^1\) Not including market for electric vehicle batteries but including hybrid solutions.
1) Automotive Trends
Four ACES\(^1\): We Shape the Future of Our Industry

- **Automated Driving**
- **Holistic Connectivity**
- **Electrification**

TAM\(^2\) in bn €

- 2017: 35
- 2025: 100

TAM\(^4\) in bn €

- 2017: 80
- 2025: 100

TAM\(^3\) in bn €

- 2017: 80
- 2025: 100

**Sources:** McKinsey and Continental estimates

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1) Four ACES: autonomous, connected, electrified and shared mobility
2) Total Addressable Market
3) Not including market for batteries but hybrid solutions
4) McKinsey estimates a market for digital services of US70$ - 110 billion in 2025; FX rate assumption of 1.13 EUR/USD
2) Key Enabler: Digitalization
The Most Digitalized Portfolio in The Supplier Sector

- Continental Automotive
- Competitor 1
- Competitor 2
- Competitor 3
- Competitor 4
- Competitor 5
- Competitor 6
- Competitor 7
- Competitor 8
- Competitor 9
- Competitor 10

Source: Company filings and Continental estimates

Share should increase to ~ 70% in 2025

Suppliers >€3 bn sales
2) Key Enabler: Digitalization
Strong Order Intake Drives Sustainable Growth…

Automotive Group: Strong Order Intake (bn €)

<table>
<thead>
<tr>
<th>Year</th>
<th>Automotive Group Sales</th>
<th>Order Intake (LTS)¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>23.6</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>2017E</td>
<td>35</td>
<td>&gt;39</td>
</tr>
<tr>
<td>2018E</td>
<td>~26.5</td>
<td></td>
</tr>
<tr>
<td>2019E</td>
<td>&gt;30</td>
<td></td>
</tr>
<tr>
<td>2020E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022E</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ Lifetime Sales
2) Key Enabler: Digitalization

... but Causes Sustained High R&D and Capex

R&D and capex have a lead time of about 2-3 years and the increase is mainly a consequence of the strong order intake.
2) Key Enabler: Digitalization
Which in the Future Leads to Higher ROCE


<table>
<thead>
<tr>
<th>Year</th>
<th>Avg. OA (mn €) Conti Automotive excl. goodwill acquired before 2009</th>
<th>ROCE before goodwill acquired before 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>6,023</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>5,649</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>5,240</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>5,844</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>6,586</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>~7,500</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Target range 25-35%

About €5.4 bn goodwill from M&A before 2009
3) Electrification  
Engine Roadmap 2017 to 2025 – Electrification View

 › Until 2025 the internal combustion engine (ICE) will be the most dominant force amongst the different propulsion types
 › More variants of hybridization due to decline in Diesel
 › Strong increase in pure Electric Vehicles after 2025
 › Breakthrough in battery technology might accelerate scenario

Source: Continental estimates
3) Electrification
Order Intake Confirms Shift to Electronics & Electrification

Order Intake

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2017E</th>
<th>Sales 2017E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mechanics and hydraulics</td>
<td>50%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Electronics</td>
<td>40%</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>Electrification</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

\[ \sum \text{€} > 13 \text{bn} \]
\[ \sum \text{€} \sim 7.7 \text{bn} \]

\(^1\) Order Intake as Lifetime Sales
## 3) Electrification

Relative Value of Continental’s Content in Powertrains\(^1\)

<table>
<thead>
<tr>
<th>Gasoline-related business</th>
<th>Diesel-related business</th>
<th>HEV-related business including extended offering</th>
<th>BEV-related business including extended offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%(^1)</td>
<td>160%</td>
<td>160-360%</td>
<td>400%</td>
</tr>
</tbody>
</table>

- Engine management systems for solenoid direct injection (injector, ECU, pressure pumps)
- Exhaust aftertreatment
- Sensors and actuators
- Turbochargers

- Engine management systems for diesel piezo common-rail injection (injector, ECUs, pressure pumps)
- Exhaust aftertreatment
- Sensors and actuators

- Engine management systems (gasoline/diesel)
- Exhaust aftertreatment
- Sensors and actuators
- Turbochargers
- 48V solutions (12kW/15kW/25kW) or
- Plug-in hybrid solutions (incl. thermal components & charging systems)

- High-voltage axle drive
- Power electronics
- Onboard charging systems
- Battery management systems
- DC/DC converter
- Thermal management components

---

\(^1\) Value of displayed gasoline content per car is indexed at 100%; all other values read relative to the gasoline content.
4) Automated Driving

Market for Automated Driving: Estimated Development

PC&LV production (mn units)

- L0-L2
- L3
- L4
- L5
- Total Market

2020 2025 2030 2036 2040 2045 2060
### 4) Automated Driving

**Market for Automated Driving: Three-Layer Model**

<table>
<thead>
<tr>
<th>Components</th>
<th>Sensors</th>
<th>~€26 bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>System</td>
<td>Electronics Software Integration</td>
<td>~€7 bn</td>
</tr>
<tr>
<td>Environmental Model</td>
<td>Software Electronics</td>
<td>~€2 bn</td>
</tr>
</tbody>
</table>

**Market for Automated Driving**

~€35 bn\(^1\) by 2025

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**Recent Additions to the Portfolio**

<table>
<thead>
<tr>
<th>Continental</th>
<th>DIGILENS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADCU</td>
<td></td>
</tr>
</tbody>
</table>

**Cooperation/Joint Venture**

- HUAWEI
- easyMILE
- BMW
- intel
- NTT docomo
- Elektrobit
- here
- Baidu
- China unicom

---

\(^1\) Source: Continental estimates
4) Automated Driving
ADAS Sensors per Car

Sources:
1 Source: https://www.bmwgroup.com/content/dam/bmw-group-websites/bmwgroup_com /ir/technologie_workshops/Technology_Workshops_Autonomous_Driving.pdf
2 Continental estimates
3 Ultrasonic not in Continental portfolio
4) Automated Driving
Leading Position in ADAS

System Manufacturers

<table>
<thead>
<tr>
<th>Company</th>
<th>OI 2017 (bn)</th>
<th>Sales (€ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continental ADAS</td>
<td>~€3.5 bn</td>
<td>&gt;1,200</td>
</tr>
<tr>
<td>Bosch ADAS</td>
<td>€3.5 bn</td>
<td>&gt;1,000</td>
</tr>
<tr>
<td>Denso ADAS</td>
<td>€0.4 bn</td>
<td>667</td>
</tr>
<tr>
<td>Autoliv ASP</td>
<td></td>
<td>249</td>
</tr>
<tr>
<td>Mobileye</td>
<td></td>
<td>240</td>
</tr>
<tr>
<td>Hella</td>
<td></td>
<td>225</td>
</tr>
<tr>
<td>Delphi Driver Assist</td>
<td>€1.3 bn</td>
<td>n/a</td>
</tr>
<tr>
<td>Valeo CDA</td>
<td></td>
<td>n/a</td>
</tr>
<tr>
<td>ZF</td>
<td></td>
<td>n/a</td>
</tr>
</tbody>
</table>

Component Suppliers

<table>
<thead>
<tr>
<th>Company</th>
<th>OI 2016 (bn)</th>
<th>Sales (€ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elektrobit, HMI and HUD</td>
<td></td>
<td>n/a</td>
</tr>
<tr>
<td>n/a</td>
<td></td>
<td>n/a</td>
</tr>
</tbody>
</table>

1 Continental ADAS = Radar, Lidar, Camera and ADCUs. 2017 OI includes ADAS related CVAM business OI.
2 Bosch PR May 4th, 2017: Bosch has not communicated any future ADAS sales target; Bosch includes ultrasonic in ADAS sensors; Bosch target is a 2019 target.
3 Denso reports ADAS sales as part of "Information and safety systems"; Denso’s ADAS target 03/2021 looks for JPY 200 bn; sales are annualized.
4 Autoliv active safety products: radar systems, vision and night systems, active seatbelts and brake systems, dynamic spot light and system integration; 2020 target.
5 Mobileye 2016 sales: company has the target to achieve 1.1 bn USD sales by 2019.
6 Hella: according to Jeffries Research.
7 Delphi 2016 sales represent company communication from Q2 2016 and target to achieve 1 bn USD sales by 2019.
8 Valeo reports sales for comfort and driving assist only. It includes rain, lighting and ultrasonic sensors in DA sales; it has no official target for future ADAS sales communicated.
9 ZF has not provided any sales data on its ADAS business.
4) **Automated Driving**  
Electrification and ADAS Require New Braking Solutions: MKC1

- For Recuperation in Electric Vehicles
- For Highly Automated Driving

The MK C1 supports regenerative braking in a wider range than standard regenerative brake systems.

- The MK C1 for highly automated driving has a redundant fallback-level by combining it with a MK 100 based Hydraulic Brake Extension.
- The MK C1 HAD system architecture with two networked braking system units offers a stepped degradation concept to ensure the required deceleration level at all times without driver interaction.

At lower weight than a traditional braking system (from ~9-10kg to ~6kg)
5) Holistic Connectivity
Rise of Connected Vehicles

Estimated vehicle population (mn units)

- 2017: >1,000
  - ~10%
- 2020: ~1,400
  - ~20%
- 2025: ~1,500
  - ~40%

Market penetration for connected vehicles
5) Holistic Connectivity
Software Drives Architecture, Process and Organization

Yesterday

- more than 170 Sensors
- up to 90 ECUs
- more than 150 Actuators

Today

- more than 200 Sensors
- Only <10 High performance computers
- more than 150 Actuators

Tomorrow

- "small ECU" / Sensor/Actor
- Virtualized Performance Controller

Increasing computing power will lead to an centralized E/E architecture

Hardware will be separated from software – software integration capabilities are needed

Security supporting approach by multilayered, end-to-end solutions and services required
5) Holistic Connectivity
Central Processing Unit in a Server Based Architecture

› Automotive and cross industry trends require new approaches in EEA*
› Move towards structures known from IT industry
› The In-Vehicle server is a cornerstone of modern vehicle architectures

The In-vehicle Server offers a HW/SW platform realizing individual use cases:

- High performance computing unit. Predefined applications as well as new 3rd party SW and service integration.
- Redistribution of application SW. Separation of I/O* logic from application function + application fusion across domains.
- In-vehicle communication. Increasing demand of in-vehicle network bandwidth.
- Master for Cyber Security, SW over-the-air updates and vehicle diagnosis. Elektrobit SW management and Argus cyber security solutions are essential elements.

1 EEA = Electric/Electronic architecture
2 I/O = Input / Output
6) Tires: No Disruption but Evolution
Four ACES Will Reduce Costs per Mile Traveled

- Electrification
  - Better safety
  - Fuel efficiency
  - Economies of scale

- Automated Mobility

- Connectivity

- Shared Mobility

› Higher utilization of car park
› Lower cost per mile traveled
› Results in greater access to mobility
6) Tires: No Disruption but Evolution
Greater Access to Mobility for a Growing World Population

Growth of global population
World population

Increased global mobility
Miles per capita

More miles traveled
Global miles traveled

Sources: Continental, World Bank, Roland Berger

Boom in miles traveled from emerging markets drives tire demand
6) Tires: No Disruption but Evolution
Strategy 2025: Globalize Growth (mn units)¹

Continental growth to outperform global market

1 Continental global production capacity of PC&LT and CV tires
7) ContiTech – Smart Solutions beyond Rubber
CT Products: Relevant Markets and Growth Opportunities

Balanced portfolio of OE Automotive and Non-OE Automotive businesses
Growth through volume and (added) value\(^1\) expansion of products

\(^1\) Additional sales driven by servitization and software
7) ContiTech – Smart Solutions beyond Rubber

Unveiling the Power of Digitalization

- **Automation and horizontal integration**
- **Functional integration**
- **Lifecycle integration**

Highly automated operations

Added value through functional integration of electronics and software

Servitization and Smart Conveyor Belts

---

**Value Creation**

Advanced use of process data helps to improve asset efficiency, logistics and maintenance by facilitating operational excellence.

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1 Example for combination of our air springs with the sensor technology, software, control devices for height adjustment and Continental compressors
8) Continental Strategy – Outlook 2020 and Beyond

Four ACES\(^1\) Will Advance Our Growth Opportunities

- ACES: autonomous, connected, electrified and shared mobility
- Global PC & LT\(^2\) Production

<table>
<thead>
<tr>
<th>Year</th>
<th>Global PC &amp; LT Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>CAGR 3%</td>
</tr>
<tr>
<td>2010</td>
<td>CAGR 4%</td>
</tr>
<tr>
<td>2015</td>
<td>CAGR 1-2%</td>
</tr>
</tbody>
</table>

\(^1\) ACES: autonomous, connected, electrified and shared mobility
\(^2\) Passenger car and light truck production

Share of New Business Opportunities in Conti Auto Sales 2025: 20%
Thank you!
Disclaimer

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Preliminary Figures for Fiscal 2017 and Outlook 2018

January 2018

Ticker: CON
ADR-Ticker: CTTAY
Twitter: @Continental_IR
http://www.continental-ir.com

W. Schaefer – CFO
# AGENDA

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<td>8</td>
</tr>
<tr>
<td>3</td>
<td>Opportunities and Challenges in the Medium Term</td>
<td>14</td>
</tr>
<tr>
<td>4</td>
<td>Outlook</td>
<td>19</td>
</tr>
</tbody>
</table>
1) Corporation Highlights 2017
Most Important KPIs

**FY 2017**
- Sales up by >8% to ~€44.0 bn; organic sales growth at ~8%
- Adj. EBIT\(^1\) totaled >€4.7 bn; adj. EBIT\(^1\) margin ~10.8%
- Free cash flow before acquisitions amounted to >€2.2 bn, leading to a cash conversion\(^2\) of <75%
- Net debt <€2.2 bn; gearing ratio below 15% at YE 2017
- Order intake in the Automotive Group totaling more than €39 bn

**Q4 2017**
- Automotive Group organic sales growth >9%, around 8%-points above global PC&LT production
- Automotive Group adj. EBIT\(^1\) margin in Q4 2017 stood ~9%
- Winter tire sales up 5%; overall tire volumes in Q4 2017 up by 2% despite challenging comparables; volumes and improved PM drove Q4 sales and EBIT in the Tires division to prior year levels

---
\(^1\) Before amortization of intangibles from PPA, consolidation and special effects
\(^2\) Cash flow before financing activities and acquisitions divided by net income attributable to the shareholders of the parent
1) Corporation Highlights 2017
Sales and Adjusted EBIT\(^1\) by Quarter

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FY Sales (€)</th>
<th>Adjusted EBIT (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/15</td>
<td>9,569</td>
<td>1,090</td>
</tr>
<tr>
<td>Q2/15</td>
<td>10,030</td>
<td>1,292</td>
</tr>
<tr>
<td>Q3/15</td>
<td>9,618</td>
<td>644</td>
</tr>
<tr>
<td>Q4/15</td>
<td>10,016</td>
<td>1,284</td>
</tr>
<tr>
<td>Q1/16</td>
<td>9,851</td>
<td>1,166</td>
</tr>
<tr>
<td>Q2/16</td>
<td>10,191</td>
<td>1,163</td>
</tr>
<tr>
<td>Q3/16</td>
<td>9,984</td>
<td>1,090</td>
</tr>
<tr>
<td>Q4/16</td>
<td>10,524</td>
<td>~1,300</td>
</tr>
<tr>
<td>Q1/17</td>
<td>11,000</td>
<td>~11,250</td>
</tr>
<tr>
<td>Q2/17</td>
<td>11,033</td>
<td></td>
</tr>
<tr>
<td>Q3/17</td>
<td>10,693</td>
<td></td>
</tr>
<tr>
<td>Q4/17E</td>
<td>~44.0 bn</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Before amortization of intangibles from PPA, consolidation and special effects.
1) Corporation Highlights 2017
Automotive Group and Rubber Group by Quarter

Automotive Group

![Graph showing Sales (mn €) and Adj. EBIT\(^1\) (mn €) for Automotive Group by Quarter]

- Q1/15: 5,912
- Q2/15: 5,996
- Q3/15: 5,661
- Q4/15: 6,005
- Q1/16: 6,011
- Q2/16: 6,158
- Q3/16: 5,958
- Q4/16: 5,370
- Q1/17: 6,661
- Q2/17: 6,344
- Q3/17: ~6,800

Rubber Group

![Graph showing Sales (mn €) and Adj. EBIT\(^1\) (mn €) for Rubber Group by Quarter]

- Q1/15: 3.669
- Q2/15: 4.045
- Q3/15: 3.968
- Q4/15: 4.022
- Q1/16: 3.852
- Q2/16: 4.045
- Q3/16: 4.038
- Q4/16: 4.164
- Q1/17: 4.260
- Q2/17: 4.382
- Q3/17: 4.361
- Q4/17E: 4.470

\(^1\) Before amortization of intangibles from PPA, consolidation and special effects

Q4 2017:
- Automotive Group: organic sales growth >9%; adj. EBIT\(^1\) margin ~9%
- Rubber Group: organic sales growth ~8%; adj. EBIT\(^1\) margin >16.5%
1) Corporation Highlights 2017
Organic Growth Accelerated Throughout the Year

Organic Sales Growth vs. PC & LT\(^1\) Production Growth

Organic Sales Growth by Division

---

1. Passenger car and light truck
2. Microcontrollers
1) Corporation Highlights 2017
Highlights from the CES 2018

Ac2ated Sound – Speakerless Audio System
The innovative technology replaces conventional loudspeakers with a system based on actuators to create sound by exciting certain surfaces in the vehicle, just like the functional principle of string instruments. It exceeds consumer and customer expectations with its excellent acoustics and reduced system weight and spatial volume.

Continental Air Supply (CAirRs)
Continental’s CAirS is a highly integrated air supply module that simplifies vehicle installation and conserves energy. Its small size reduces weight by as much as 25 percent of conventional components and decreases vehicle energy consumption, which supports sustainable and ecological mobility.

High-Quality 3D Display Surface Offers new Design Possibilities in the Cockpit
Continental has developed a 3D display surface featuring optically bonded, topographical elements that restores a sense of quality and design individuality to the classic display. The three Dimensional Active Touch Surface brings depth to the digital world, combines physical finger guides with active haptic feedback to shorten or eliminate off road glances, benefiting safety.

Platform for Accelerating Development of Automated Driving Control Units
Adaptable platform provides flexibility and adaptability to changing market requirements for automated driving such as machine learning techniques, sensor technology, and configuration.
The platform will be demonstrated at CES.

Continental and Avis Budget Group Partnership Drives Mobility Forward
Continental’s aftermarket Key-as-a-Service offering will provide seamless access and start for Avis customers. Avis debuts new telematics solution that makes rental experience entirely keyless.
The solution will be demonstrated at CES.

Fifth Radar Generation Meets Future Requirements for Automated Driving
When creating future applications, high precision in range resolution, object detection and accuracy in measuring the speed are highly important. With the fifth generation of Continental’s powerful and tried-and-tested radar sensors, we are opening up new opportunities for modern advanced driver assistance systems.
2) Opportunities and Challenges in 2018

2018
- European growth to more than compensate expected decline in North America
- China: expect increased volatility if no additional stimulus is provided
- Russia and Brazil to further recover from depressed levels
- ContiTech: oil and mining-related businesses to slowly recover
- Tires: raw materials will provide tailwind in H1 2018 but expect slight headwind for the year as a whole

Medium Term
- Tire business to benefit further from mix improvement – industry capex in line with prior years despite rising demand
- Order intake supports Automotive Group growth
- Rising R&D expenses in Automotive, a consequence of successfully transforming the business towards electronics and software
- High growth combined with continuous investment in R&D will limit operating leverage in the next 12-18 month
- Regional sales and customer mix becoming more balanced
2) Opportunities and Challenges in 2018
Europe Slowing and North America Likely to Decline Slightly

Opportunities

- European volume growth to more than compensate decline in the U.S.
- Tax cuts in the U.S. could stabilize new car sales in 2018
- Average car park age at all time high in both markets

Challenges

- NAFTA trade deal still not finalized
- Brexit and German government adjourned game weigh on European sentiment

1 Passenger car and light truck (<6t); source: IHS and own estimates
2) Opportunities and Challenges in 2018
China – Signs of Slower Growth

› Opportunities
  › Full EV\(^1\)s as a business opportunity
  › China presents Continental with both market and content growth opportunity

› Challenges
  › Chinese GDP growth slowing further
  › Vehicle demand in 2018 will be largely dependent on additional stimulus
  › China PC & LT\(^4\) production with outlook on slow growth level
  › Separating EV\(^1\) quota from ICE\(^2\) regulation will push EV demand

\(^1\) Electric Vehicle
\(^2\) Internal combustion engine
\(^3\) 2017E and 2018E: IMF Oct 2017 Update
\(^4\) Passenger and light truck; source: IHS and own estimates

---

China – GDP Growth YOY\(^3\)

China – PC & LT\(^4\) Production

Share of World PC & LT Production
2) Opportunities and Challenges in 2018
Russia and Brazil to Recover from Depressed Levels

› Opportunities

› New car sales in Russia (2017E 1.6 mn) and Brazil (2017E 1.9 mn) recovered from low levels and increased both by more than 10%

› Russia and South America represent currently about 4% of Continental’s global sales in 2017

› In the mid-term, both markets offer growth potential as their share in global car production was down from 8% in 2008 to 4% in 2017

› Challenges

› Elections in Brazil and Mexico in 2018 with highly uncertain outcome

1 2017E and 2018E: IMF Oct 2017 Update
2) Opportunities and Challenges in 2018
Oil and Mining-Related Sectors Impacting ContiTech

**Opportunities**

- Oil and mining-related exposure of ContiTech stabilized at 15% of sales after Hornschuch acquisition
- Oil-related business with chance to recover further in 2018
- Cost structure in mining related business aligned to benefit from any recovery ahead

**Challenges**

- Only moderate recovery in mining-related businesses outside of North America during 2018 expected

---

**Source:** Company filings and consensus data for BHP, Rio, Vale, Grupo Mexico, FCX, ABX, GG, NEM, NCM, TCK/B, ANTO, NUE, AA, KGC, AEM, EGO

---

**Oil Price and Rig Count Data**

**Mining Capex (mn US$)**

---
2) Opportunities and Challenges in 2018

Expected Raw Material Price Development

› Natural rubber price (TSR 20) expected to rise by 10%

› Synthetic rubber price (butadiene feedstock) forecasted to rise by 6%

› Prices for carbon black and chemicals are forecasted to rise by at least 10%

› Based on these assumptions costs of raw materials are expected to burden the Tire division with about €50 mn in 2018

› However, H1 2018 will be supported by lower costs of raw materials and roll over of price increases from Q2 2017

1 Source: Bloomberg and Continental estimates for 2017
3) Opportunities and Challenges in the Medium Term

› **2018**
  › European growth to more than compensate North America decline
  › China: expect increased volatility if no additional stimulus is provided
  › Russia and Brazil to further recover from depressed levels
  › ContiTech: oil and mining-related businesses to slowly recover
  › Tires: raw materials will provide tailwind in H1 2018 but expect slight headwind for the year as a whole

› **Medium Term**
  › Tire business to benefit further from mix improvement – industry capex in line with prior years despite rising demand
  › Order intake supports Automotive Group growth
  › Rising R&D expenses in Automotive, a consequence of successfully transforming the business towards electronics and software
  › High growth combined with continuous investment in R&D will limit operating leverage in the next 12-18 months
  › Regional sales and customer mix becoming more balanced
3) Opportunities and Challenges in the Medium Term
Rising Demand vs. Stagnating Tire Capex

**Opportunities**

› Global replacement tire market continues to grow with a CAGR of 3%

› Mix improvement continues driven by growing SUV share in Europe and China

› Europe to stay the largest replacement tire market by volume

› China to keep double digit CAGR of ~10% from 2017 to 2022E

**Challenges**

› Rising costs of raw materials expected for 2018 as a whole

---

1. Passenger and light truck replacement tire market in bn units; source: LMC (December 2016) and own estimates
2. Company filings and forecasts (based on public information from 16 tire companies)
3) Opportunities and Challenges in the Medium Term
Strong Order Intake Safeguards Growth...

› Order intake in the Automotive Group increased from €30 bn in 2015 to more than €39 bn in 2017

› Order backlog totals some €85 bn with close to 90% of 2019 sales already booked

› Strong order intake well distributed across the three Automotive Divisions with all showing YOY increases

› Strong backlog will allow growth in the Automotive Group to range at the upper end of the guidance of 3% to 5% growth ahead of global car production

\[ ^1 \text{LTS = Life time sales} \]
3) Opportunities and Challenges in the Medium Term
... but Causes Sustained High R&D and Capex

R&D and capex have a lead time of about 2-3 years and the increase is mainly a consequence of the strong order intake.
3) Opportunities and Challenges in the Medium Term
Towards Regional Sales Balance

Sales by Region 2016

- Asia, 27%
- Americas, 26%
- Europe, 46%
- RoW, 1%

Sales by Region 2022E

- Asia, >35%
- Americas, stable
- Europe, <40%
- RoW, 1%

Growing in Asia with local OEMs: Share with Japanese, Korean and Chinese OEMs will increase to 20% in the coming years

Distribution of Global PC & LT Production 2016

- 2016:
  - 23% (Asia)
  - 22% (Americas)
  - 54% (Europe)
  - 1% (RoW)

Distribution of Global PC & LT Production 2022E

- 2022:
  - 23% (Asia)
  - 21% (Americas)
  - 55% (Europe)
  - 1% (RoW)

1 Rest of World
4) Outlook 2018

PC & LT Production by Quarter

Europe (mn units)
- 2016: 21.4
- 2017E: 22.0
- 2018E: 22.4

North America (mn units)
- 2016: 17.8
- 2017E: 17.1
- 2018E: 16.8

China
- 2016: 27.1
- 2017E: 27.8
- 2018E: 27.9

Q1 2018 blurred by statistical effects

Source: IHS and own estimates, Europe excluding Kazakhstan and Uzbekistan
4) Outlook 2018
Market Outlook for Major Regions

**PC & LT\(^1\)** Production (mn units)

<table>
<thead>
<tr>
<th>Region</th>
<th>2017E</th>
<th>2018E</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>22.0</td>
<td>22.4</td>
<td>2%</td>
</tr>
<tr>
<td>North America</td>
<td>17.1</td>
<td>16.8</td>
<td>-2%</td>
</tr>
<tr>
<td>South America</td>
<td>3.2</td>
<td>3.4</td>
<td>+3%</td>
</tr>
<tr>
<td>Asia</td>
<td>51.4</td>
<td>52.8</td>
<td>+2%</td>
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</table>

*Source: IHS and own estimates*

**Commercial Vehicle\(^2\)** Prod. (k units)

<table>
<thead>
<tr>
<th>Region</th>
<th>2017E</th>
<th>2018E</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>680</td>
<td>707</td>
<td>+4%</td>
</tr>
<tr>
<td>North America</td>
<td>490</td>
<td>505</td>
<td>+3%</td>
</tr>
<tr>
<td>South America</td>
<td>88</td>
<td>92</td>
<td>+5%</td>
</tr>
<tr>
<td>Asia</td>
<td>1,945</td>
<td>1,964</td>
<td>+1%</td>
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*Source: IHS and own estimates*

**PC & LT Repl.\(^3\)** Tire Market (mn units)

<table>
<thead>
<tr>
<th>Region</th>
<th>2017E</th>
<th>2018E</th>
<th>Increase/Decrease</th>
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<tbody>
<tr>
<td>Europe</td>
<td>346</td>
<td>353</td>
<td>2%</td>
</tr>
<tr>
<td>North America</td>
<td>285</td>
<td>291</td>
<td>2%</td>
</tr>
<tr>
<td>South America</td>
<td>70</td>
<td>73</td>
<td>+4%</td>
</tr>
<tr>
<td>Asia</td>
<td>450</td>
<td>473</td>
<td>+5%</td>
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</tbody>
</table>

*Source: LMC and own estimates*

**CV Repl.\(^4\)** Tire Market (mn units)

<table>
<thead>
<tr>
<th>Region</th>
<th>2017E</th>
<th>2018E</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>25.3</td>
<td>25.8</td>
<td>2%</td>
</tr>
<tr>
<td>North America</td>
<td>24.4</td>
<td>24.7</td>
<td>1%</td>
</tr>
<tr>
<td>South America</td>
<td>15.1</td>
<td>15.9</td>
<td>+5%</td>
</tr>
<tr>
<td>Asia</td>
<td>89.0</td>
<td>90.8</td>
<td>+2%</td>
</tr>
</tbody>
</table>

*Source: LMC and own estimates*

---

1. Passenger car and light truck <6t
2. Heavy vehicles >6t
3. Passenger car & light truck replacement
4. Commercial vehicle replacement (radial and biased)
## 4) Outlook 2018

Continental Corporation

<table>
<thead>
<tr>
<th></th>
<th>2017E</th>
<th>2018E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated sales</strong></td>
<td>~€44.0 bn</td>
<td>To increase to ~€47 bn at constant FX rates; ~10.5%</td>
</tr>
<tr>
<td>adj. EBIT(^1) margin</td>
<td>~10.8%</td>
<td></td>
</tr>
<tr>
<td><strong>Automotive Group</strong></td>
<td>~€26.5 bn</td>
<td>March 8, 2018</td>
</tr>
<tr>
<td>adj. EBIT(^1)</td>
<td>~€2.2 bn</td>
<td></td>
</tr>
<tr>
<td><strong>Rubber Group</strong></td>
<td>~€17.5 bn</td>
<td>March 8, 2018</td>
</tr>
<tr>
<td>adj. EBIT(^1)</td>
<td>~€2.6 bn</td>
<td></td>
</tr>
<tr>
<td><strong>Raw materials cost impact</strong></td>
<td>Burden of about ~€450 mn for the Rubber Group</td>
<td>Raw materials to burden Rubber Group / Tires with about ~€50 mn on latest assumptions</td>
</tr>
<tr>
<td><strong>Special effects</strong></td>
<td>~-€20 mn</td>
<td>-€100 mn</td>
</tr>
<tr>
<td><strong>Net interest result</strong></td>
<td>~-€190 mn at constant FX rates</td>
<td>~-€190 mn at constant FX rates</td>
</tr>
<tr>
<td><strong>Tax rate</strong></td>
<td>~30%</td>
<td>&lt;30%</td>
</tr>
<tr>
<td><strong>Capex</strong></td>
<td>€2.9 bn</td>
<td>Capex at around 7% of sales</td>
</tr>
<tr>
<td><strong>PPA</strong></td>
<td>~€170 mn</td>
<td>PPA amortization: ~€200 mn</td>
</tr>
<tr>
<td><strong>Free cash flow before acquisitions</strong></td>
<td>&gt;€2.2 bn</td>
<td>~€2 bn</td>
</tr>
</tbody>
</table>

\(^1\) Before amortization of intangibles from PPA, consolidation (2017 in comparison to 2016) and special effects
Thank you!
Disclaimer

This presentation has been prepared by Continental Aktiengesellschaft solely in connection with the release of the preliminary figures for fiscal 2017 on January 9, 2018, in Las Vegas and the subsequent conferences in New York, Detroit and Frankfurt in January 2018. It has not been independently verified. It does not constitute an offer, invitation or recommendation to purchase or subscribe for any shares or other securities issued by Continental AG or any subsidiary and neither shall any part of it form the basis of, or be relied upon in connection with, any contract or commitment concerning the purchase or sale of such shares or other securities whatsoever.

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Unless otherwise stated, all amounts are shown in millions of euro. Please note that differences may arise as a result of the use of rounded amounts and percentages.
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E-mail: marvin.kalberlah@conti.de
## Continental
### Financial Calendar

#### 2017

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Preliminary figures for fiscal 2016</td>
<td>January 9, 2017</td>
</tr>
<tr>
<td>Annual Financial Press Conference</td>
<td>March 2, 2017</td>
</tr>
<tr>
<td>Annual Shareholders’ Meeting (incl. key data for Q1 2017)</td>
<td>April 28, 2017</td>
</tr>
<tr>
<td>Q1 Financial Report</td>
<td>May 9, 2017</td>
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<tr>
<td>Nine-Month Financial Report</td>
<td>November 9, 2017</td>
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#### 2018

<table>
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<th>Event</th>
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<tr>
<td>Preliminary figures for fiscal 2017</td>
<td>January 9, 2018</td>
</tr>
<tr>
<td>Annual Financial Press Conference</td>
<td>March 8, 2018</td>
</tr>
<tr>
<td>Annual Shareholders’ Meeting (incl. key data for Q1 2018)</td>
<td>April 27, 2018</td>
</tr>
<tr>
<td>Q1 Financial Report</td>
<td>May 8, 2018</td>
</tr>
<tr>
<td>Half-Year Financial Report</td>
<td>August 2, 2018</td>
</tr>
<tr>
<td>Nine-Month Financial Report</td>
<td>November 8, 2018</td>
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## Continental

### Share Data / ADR Data

#### Share Data

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<thead>
<tr>
<th>Type of share</th>
<th>No-par value share</th>
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<tbody>
<tr>
<td>Bloomberg Ticker</td>
<td>CON</td>
</tr>
<tr>
<td>Reuters Ticker</td>
<td>CONG</td>
</tr>
<tr>
<td>German Security Identification Number (WKN)</td>
<td>543 900</td>
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<tr>
<td>ISIN Number</td>
<td>DE0005439004</td>
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<tr>
<td>Shares outstanding as at December 31, 2017</td>
<td>200,005,983</td>
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#### ADR Data

<table>
<thead>
<tr>
<th>Ratio (ordinary share: ADR)</th>
<th>1:5</th>
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<tbody>
<tr>
<td>Bloomberg Ticker</td>
<td>CTTAY</td>
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<td>Reuters Ticker</td>
<td>CTTAY.PK</td>
</tr>
<tr>
<td>ISIN Number</td>
<td>US2107712000</td>
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<tr>
<td>ADR Level</td>
<td>Level 1</td>
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<tr>
<td>Exchange</td>
<td>OTC</td>
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<tr>
<td>Sponsor</td>
<td>Deutsche Bank Trust Company Americas</td>
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Continental
Bond Data

<table>
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<tr>
<th>Issuer</th>
<th>Continental AG</th>
<th>Continental Rubber of America, Corp.¹</th>
<th>Continental AG</th>
<th>Continental AG</th>
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<tr>
<td>Issue</td>
<td>Senior Notes</td>
<td>Senior Notes</td>
<td>Senior Notes</td>
<td>Senior Notes</td>
</tr>
<tr>
<td>Principal amount</td>
<td>€750 mn</td>
<td>€500 mn</td>
<td>€600 mn</td>
<td>€750 mn</td>
</tr>
<tr>
<td>Offering price</td>
<td>98.950%</td>
<td>99.739%</td>
<td>99.410%</td>
<td>99.228%</td>
</tr>
<tr>
<td>Rating at issuance date</td>
<td>Ba2 (Moody’s⁴)</td>
<td>BBB (S&amp;P)</td>
<td>BBB+ (S&amp;P)</td>
<td>BBB1 (Moody’s⁴)</td>
</tr>
<tr>
<td></td>
<td>BB (S&amp;P)</td>
<td>BBB (Fitch)</td>
<td>BBB+ (Fitch)</td>
<td>BB (S&amp;P)</td>
</tr>
<tr>
<td></td>
<td>BB (Fitch²)</td>
<td>BBB (Fitch)</td>
<td>BBB+ (Fitch)</td>
<td>BBB (Fitch²)</td>
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</table>

Current corporation and bond ratings³

| Coupon | 3.0% p.a. | 0.5% p.a. | 0.0% p.a | 3.125% p.a. |
| Maturity | July 16, 2018 | February 19, 2019 | February 5, 2020 | September 9, 2020 |
| Interest payment | Semi annual | Annual | Not applicable | Annual |
|                  | January 16/July 16 | February 19, commencing on February 20, 2017 | | September 9 |
| WKN | A1X24V | A1Z7C3 | A2DARM | A1X3B7 |
| ISIN | XS0953199634 | DE000A1Z7C39 | XS1529561182 | XS0969344083 |
| Denomination | €1,000 with min. tradable amount €1,000 | €1,000 with min. tradable amount €1,000 | €1,000 with min. tradable amount €1,000 | €1,000 with min. tradable amount €1,000 |

¹ Guaranteed by Continental AG
² Non-contracted rating at date of issuance
³ Fitch since October 24, 2016; S&P since May 11, 2016; Moody’s since June 30, 2015
⁴ Non-contracted rating since February 1, 2014
Continental
Continental’s Credit Rating

S&P, Fitch / Moody’s

Standard & Poor’s¹
Moody’s²
Fitch³

BBB+ / Baa1
BBB / Baa2
BBB- / Baa3
BB+ / Ba1
BB / Ba2
BB- / Ba3
B+ / B1
B / B2

Investment Grade
Non-Investment Grade

¹ Contracted rating since May 19, 2000
² Non-contracted rating since February 1, 2014
³ Contracted rating since November 7, 2013
## References

### Useful Links

<table>
<thead>
<tr>
<th>Reference</th>
<th>URL</th>
</tr>
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<tbody>
<tr>
<td>Continental Investor Relations website</td>
<td><a href="http://www.continental-ir.com">www.continental-ir.com</a></td>
</tr>
<tr>
<td>Corporate Social Responsibility</td>
<td><a href="http://www.continental-sustainability.com">www.continental-sustainability.com</a></td>
</tr>
<tr>
<td>Continental IR on Twitter</td>
<td><a href="http://twitter.com/Continental_IR">twitter.com/Continental_IR</a></td>
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