



# Preliminary Figures for Fiscal 2018 and Outlook 2019

January 2019

Ticker: CON  
ADR-Ticker: CTTAY  
Twitter: @Continental\_IR  
<http://www.continental-ir.com>

# Agenda

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# 1) Corporation Highlights 2018

## Most Important KPIs

### FY 2018

- › Sales up by ~1% to ~€44.4 bn; organic sales growth at ~3%
- › Adj. EBIT<sup>1</sup> totaled ~€4.1 bn; adj. EBIT<sup>1</sup> margin ~9.2%
- › Free cash flow before acquisitions and US pension funding amounted to ~€1.8 bn
- › Net debt at ~€1.8 bn; gearing ratio below 15% at YE 2018
- › Order intake in the Automotive Group totaling ~€40 bn

### Q4 2018

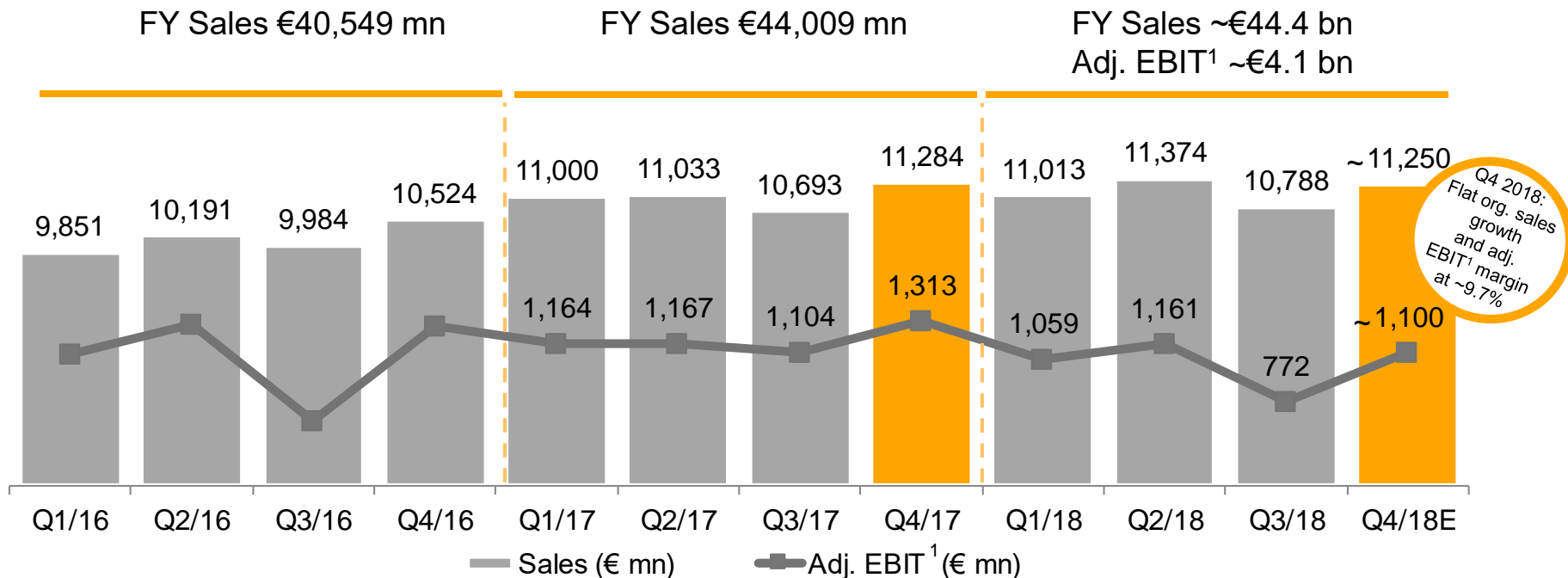
- › Corporation adj. EBIT<sup>1</sup> margin in Q4 2018 stood at ~9.7%
- › Automotive Group organic sales growth about -2%, which is about 2%-points above global PC&LT production
- › Automotive Group adj. EBIT<sup>1</sup> margin in Q4 2018 at ~7.4%
- › Winter tire sales up 4%; overall tire volumes in Q4 2018 up by 1% despite challenging comparables;

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

<sup>2</sup> Cash flow before financing activities and acquisitions divided by net income attributable to the shareholders of the parent

# 1) Corporation Highlights 2018

## Sales and Adjusted EBIT<sup>1</sup> by Quarter

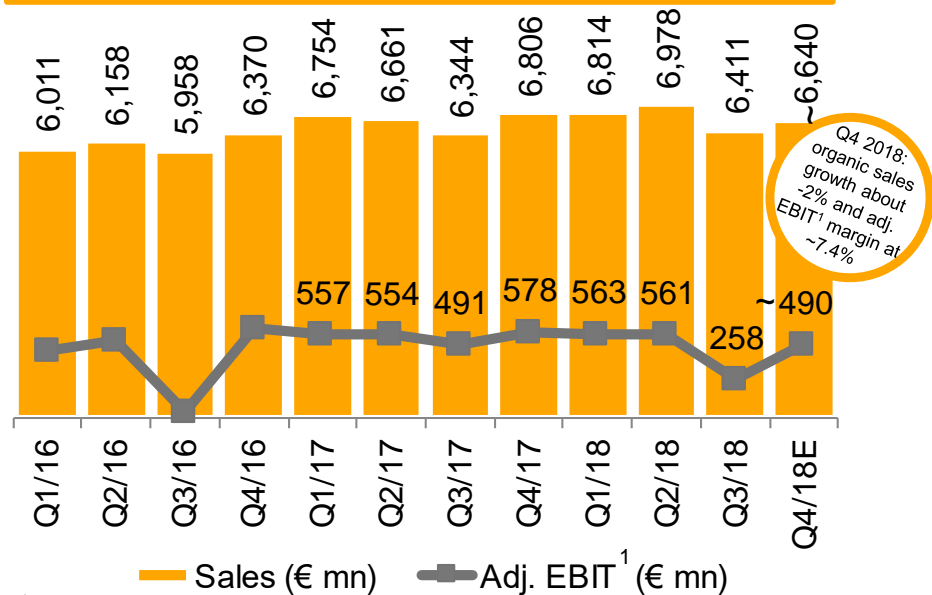


<sup>1</sup> Before amortization of intangibles from PPA, consolidation and special effects.

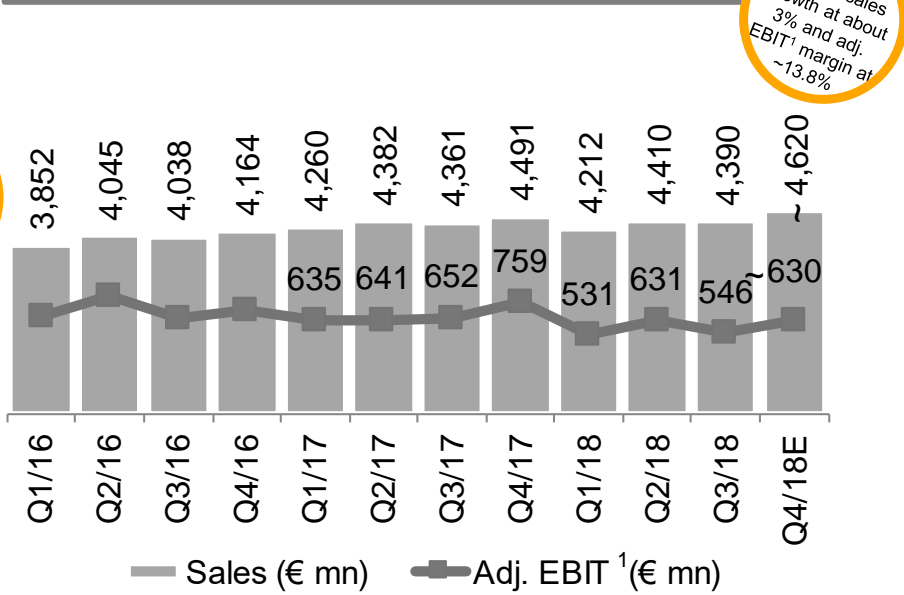
# 1) Corporation Highlights 2018

## Automotive Group and Rubber Group by Quarter

Automotive Group



Rubber Group



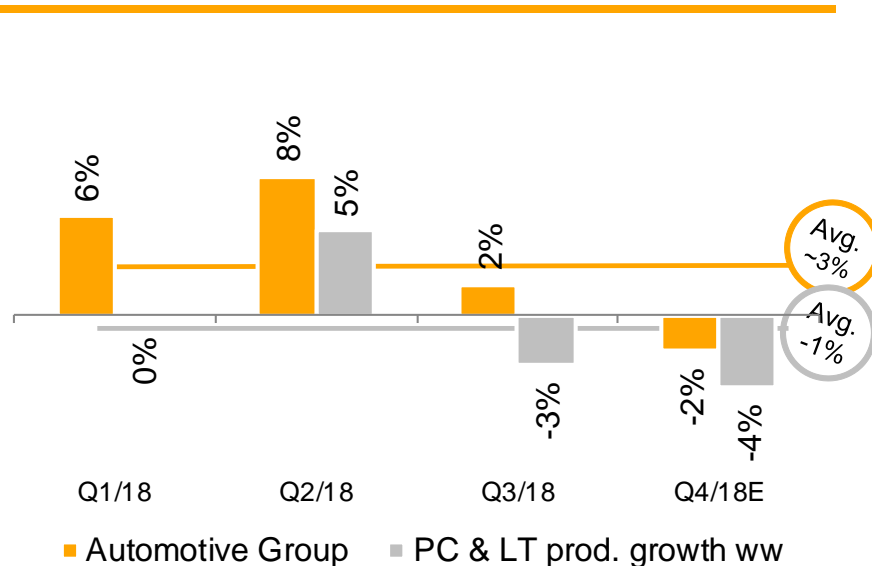
<sup>1</sup> Before amortization of intangibles from PPA, consolidation and special effects.



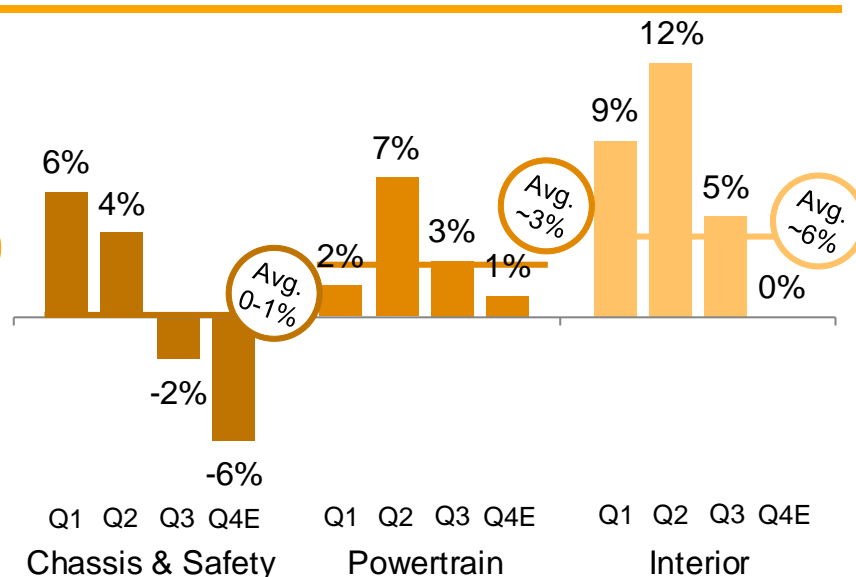
# 1) Corporation Highlights 2018

Automotive: About 4%-Points Growth above Market in FY 2018

Growth of organic sales vs. PC & LT<sup>1</sup> production



Organic sales growth by division in 2018



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



# 1) Corporation Highlights 2018

## CES Highlights 2019

### CES 2019 Innovation Honoree Award – Intelligent Door System

With this enhancement of the intelligent door, Continental is providing drivers with their very own “doorkeeper,” ensuring that drivers can get in and out of their vehicle safely and comfortably. Sensors monitoring traffic from the side prevent damage to doors, while Assist mode makes opening and closing the door easier and holds it securely in the desired position, even on a slope. The system received a CES Innovation Award for “Vehicle Intelligence and Self-Driving Technology”.



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### Waveguide Head-up Display

With its latest innovation in head-up displays, Continental has provided a solution to the size problem of augmented reality head-up displays and made them compatible with vehicles. This enables augmentations in a 2.6 m x 0.87 m range over a projection distance of 10 m – and the device itself has been reduced in size by ~1/3.



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### Continental Develops Global 5G-Hybrid-V2X Solution and Wins First Series Project

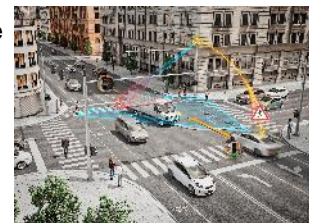
The technology company Continental is developing a flexible 5G hybrid platform that allows both: mobile network communication, and rapid and reliable direct exchange of data. These benefits are being realized with a first customer award for this 5G-Hybrid-V2X solution.



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### Smart cities – City Data as a Service

Digitalization enables mobility-related data from connected vehicles, smartphones and infrastructure to be harnessed to meet dynamic urban mobility requirements. At the core of Continental’s smart city offerings lies the data platform City Data as a Service, which not only stores and processes data, but creates real added value through data analysis and the application of artificial intelligence. At CES 2019, Continental is showcasing different solutions based on the City Data as a Service platform such as:



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- fleet management,
- intelligent streetlamp and
- intelligent intersection.

## 2) Opportunities and Challenges in 2019

### 2019

- › German and European PC & LT production still impacted by WLTP
- › North America PC & LT production expected to stabilize on high level
- › Chinese PC & LT production expected to slightly decrease
- › ContiTech: Further Stabilization of Oil and Mining-Related Sectors
- › Tire start-up new factories

### Medium Term

- › Rising demand vs. rather stable tire capex
- › Margin enhancement program in ContiTech
- › Order backlog 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 2019

### German and European PC & LT<sup>1</sup> Production Still Impacted by WLTP

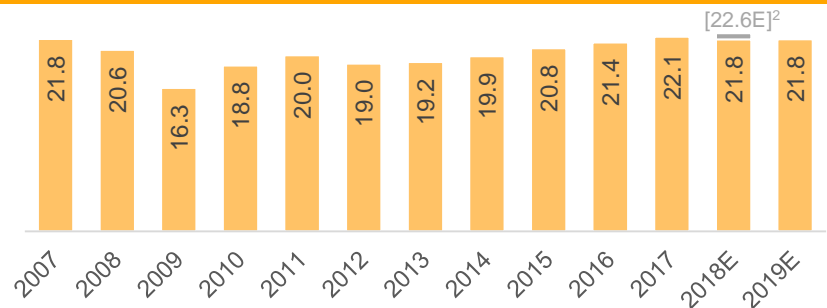
#### › Opportunities

- › WLTP impacted H2 18 significantly; issues should persist in H1 2019
- › Increase of production in H2 2019 possible

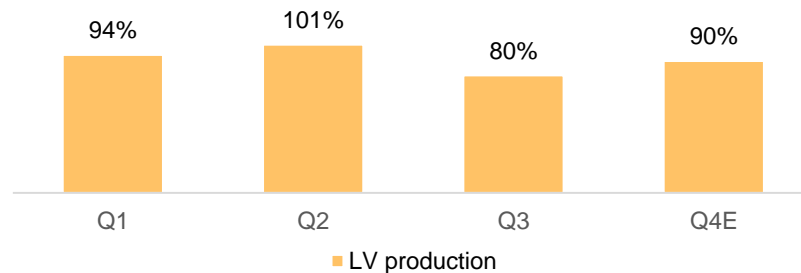
#### › Challenges

- › German car production amounts to approx. 30% of European car production
- › German production expected to stabilize during 2019 on the level of 2018 only
- › Import tariffs could impact exports

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



Development in Germany during 2018 (YoY)



<sup>1</sup> Passenger car and light truck (<6t); source: IHS and own estimates

<sup>2</sup> IHS estimate in December 2017

## 2) Opportunities and Challenges in 2019

### North American PC & LT<sup>1</sup> Production Expected to Stabilize on High Level

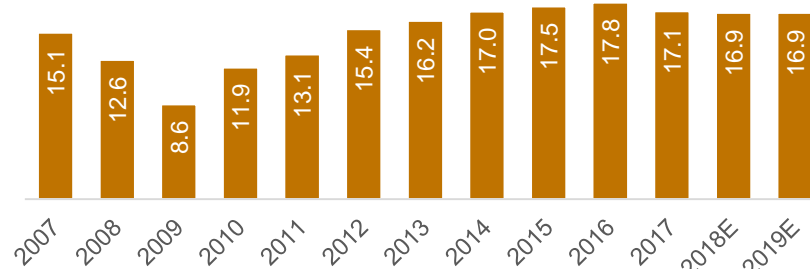
#### › Opportunities

- › Vehicle demand should benefit from economic growth
- › Trade deals could trigger pent-up demand

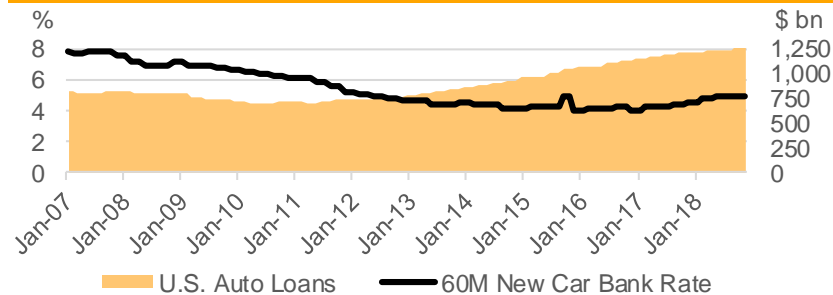
#### › Challenges

- › 80% of car sales are financed
- › Rising interest rates might impact demand
- › Trade tensions might impact in- and exports of PC & LT<sup>1</sup>

PC & LT<sup>1</sup> Production (mn units) – North America



Lower Bank Rates Boosted Auto Loans in the U.S.<sup>2</sup>



<sup>1</sup> Passenger car and light truck (<6t); source: IHS and own estimates

<sup>2</sup> Source: Fed data via Bloomberg

## 2) Opportunities and Challenges in 2019

### Chinese PC & LT<sup>1</sup> Production Expected to Decrease Slightly

#### › Opportunities

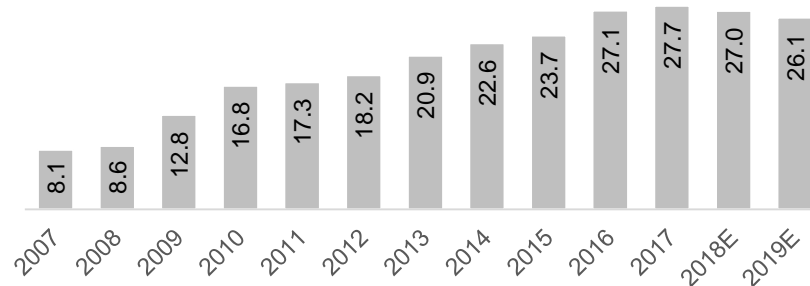
- › Incentives could help demand
- › Overall car park still at a low level (PC&LT/1'000 people of ~170 vs. ~670 in Germany, ~600 in Japan and ~800 in the U.S.)
- › Demand for EV's rising strongly

#### › Challenges

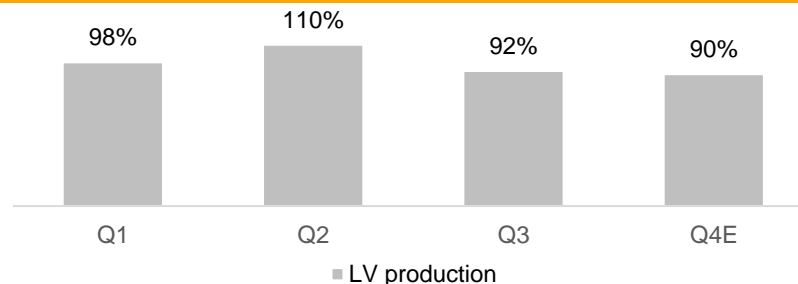
- › Chinese GDP growth slowing further
- › High inventories will burden production in H1 2019
- › Trade tensions might dampen trade and demand
- › Shift of production towards EV's due to consumer's regulatory changes

<sup>1</sup> Passenger car and light truck (<6t); source: IHS and own estimates

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



Development in China during 2018 (YoY)

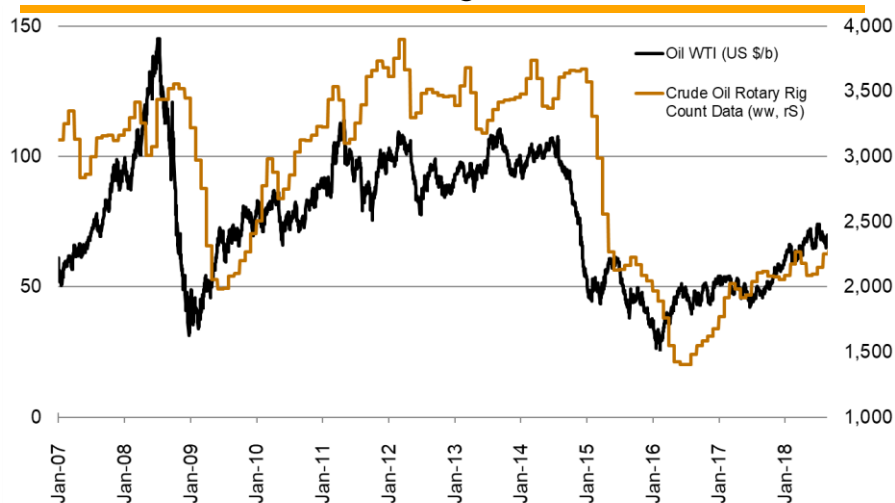


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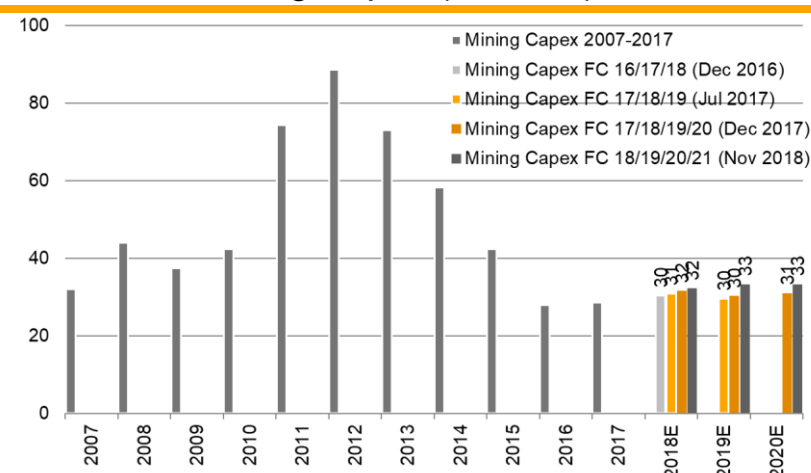
## 2) Opportunities and Challenges in 2019

### ContiTech: Further Stabilization of Oil and Mining-Related Sectors

Oil Price and Rig Count Data



Mining Capex (mn US\$)<sup>1</sup>



- › Oil and mining-related exposure of ContiTech stabilized at around 15% of sales (after Hornschuch acquisition)
- › Oil-related business recover further in 2019 due to increasing utilization
- › Cost structure in mining related business aligned to benefit from recovery ahead
- › Slight Capex increase in mining-related businesses expected



<sup>1</sup> 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

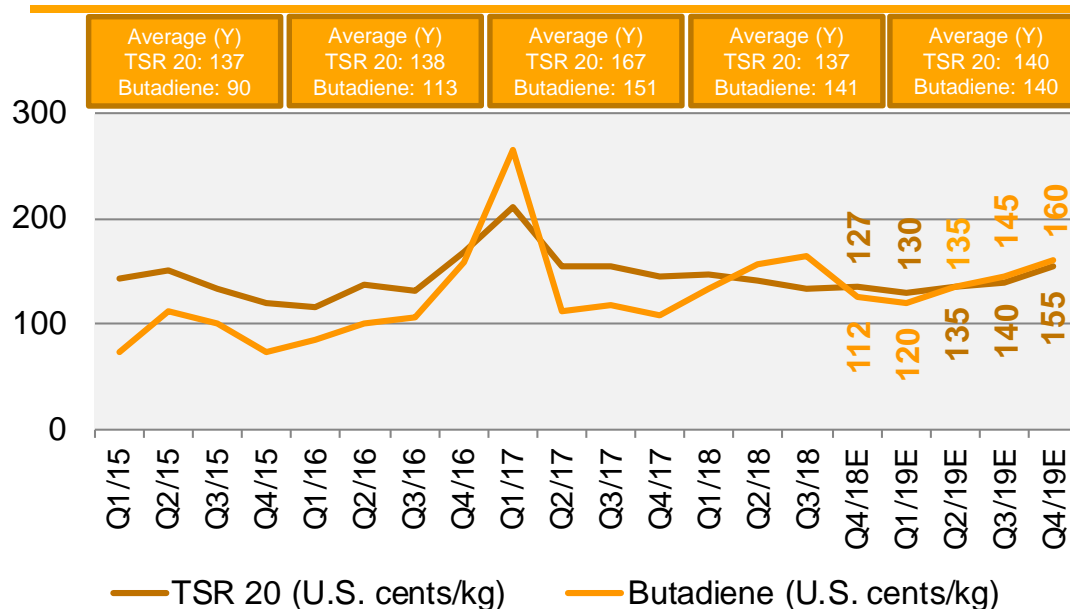
Preliminary Figures for Fiscal 2018 and Outlook 2019  
January 2019

## 2) Opportunities and Challenges in 2019

### Expected Raw Material Price Development in 2019

- › Natural rubber moving upwards again recently, however assumed neutral versus 2018
- › Synthetic rubber price dropped in Q4 2018, but should recover during the course of the year and therefore deemed as cost neutral
- › Carbon black and chemicals still on elevated levels
- › Based on these assumptions, raw materials (including tariffs for steel) are expected to have a negative impact of about €50 mn in 2019

Raw material price development<sup>1</sup> 2015 - 2019E (U.S. cents/kg)



<sup>1</sup> Source: Bloomberg and Continental estimates for 2019

### 3) Opportunities and Challenges in the Medium Term

#### 2019

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- › North America PC & LT production expected to stabilize on high level
- › Chinese PC & LT production expected to decrease slightly
- › ContiTech: Further Stabilization of Oil and Mining-Related Sectors
- › Tire start-up new factories

#### Medium Term

- › Rising demand vs. rather stable tire capex
- › Margin enhancement program in ContiTech
- › Order backlog 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

### 3) Opportunities and Challenges in the Medium Term

#### Rising Demand vs. Rather Stable Tire Capex

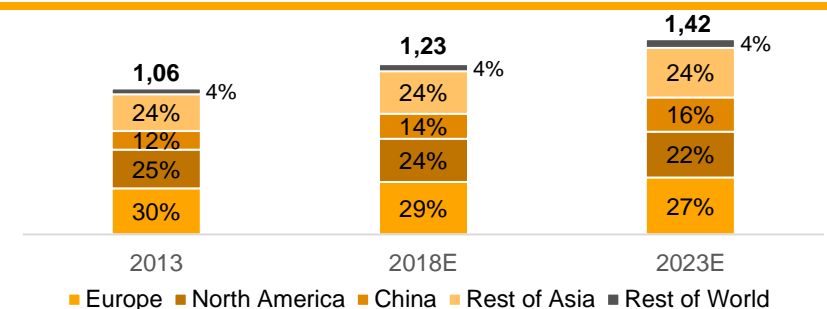
##### › Opportunities

- › Global replacement tire market expected to grow to 1.4 billion units by 2023
- › Mix improvement continues driven by growing SUV share in the car park, espec. in Europe and China
- › Europe to stay the largest replacement tire market by volume
- › Tire Capex seems to be in balance with demand expectations

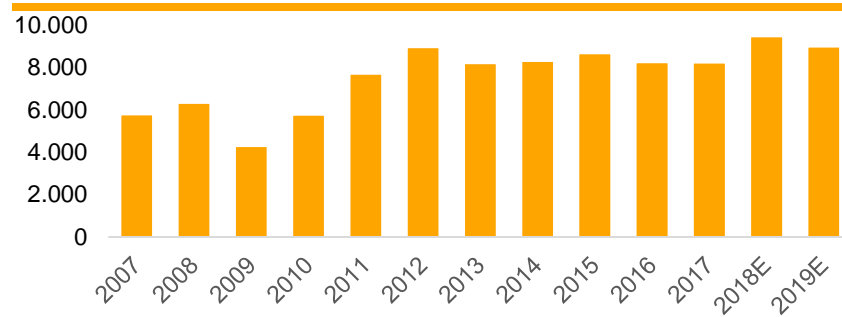
##### › Challenges

- › Rising costs of raw materials, if tire demand comes back in China during 2019

World Market for PC & LT<sup>1</sup> Replacement Tires



Tire Capex<sup>2</sup> 2007 to 2019E (mn €)



<sup>1</sup> Passenger and light truck replacement tire market in bn units; source: LMC (December 2018)

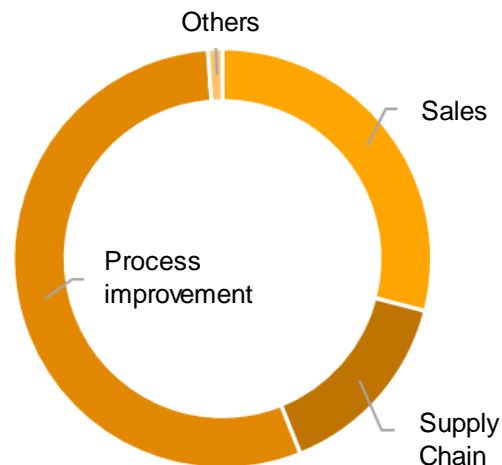
<sup>2</sup> Company filings and forecasts (based on public information from 16 tire companies)

### 3) Opportunities and Challenges in the Medium Term

#### ContiTech – Getting Back to Double-Digit Margins

- › Margin enhancement program implemented
- › Improvement totals €150 mn in 2020
- › More than 2/3 of the enhancement program to impact 2020
- › Majority of the enhancement will stem from process improvement

Margin enhancement program  
totals €150 mn in 2020



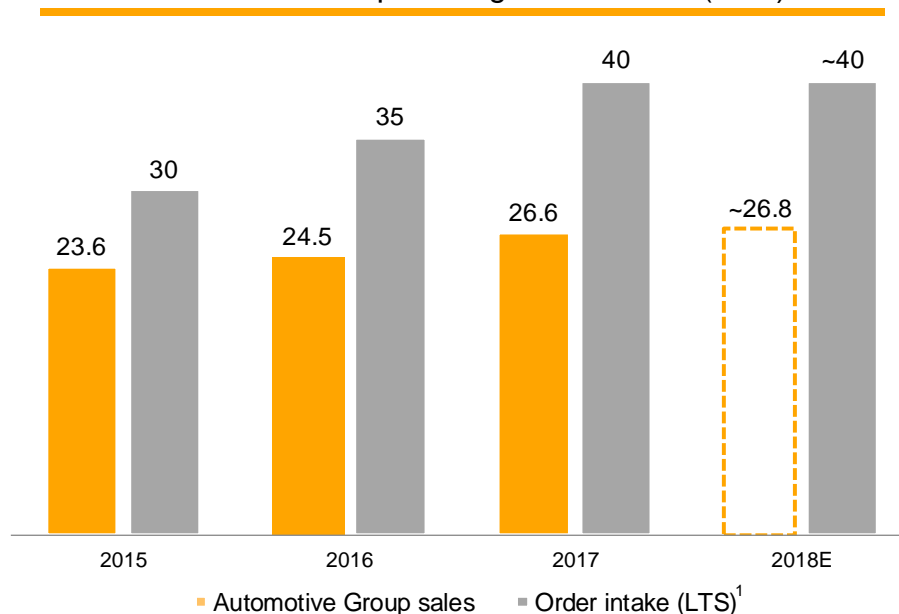


### 3) Opportunities and Challenges in the Medium Term

#### Strong Order Intake Safeguards Growth...

- › Order intake in the Automotive Group increased from €30 bn in 2015 to ~€40 bn in 2018
- › Order backlog totals some €90 bn
- › Strong order intake well distributed across the three Automotive divisions

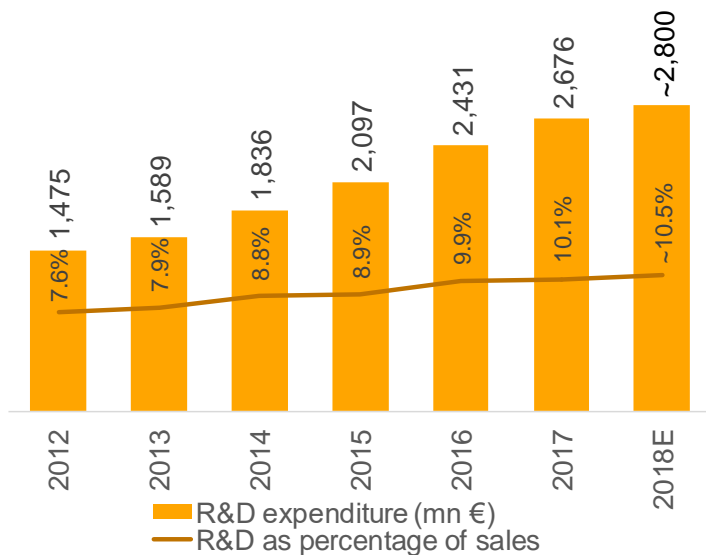
Automotive Group: Strong Order Intake (bn €)



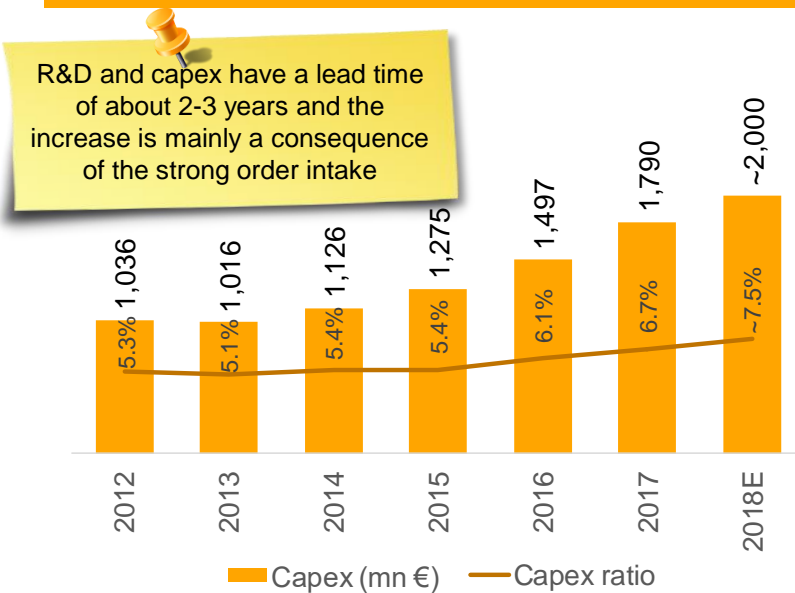
<sup>1</sup> LTS = Life time sales

### 3) Opportunities and Challenges in the Medium Term ... But Causes Sustained High R&D and Capex

Automotive Group R&D (mn €)

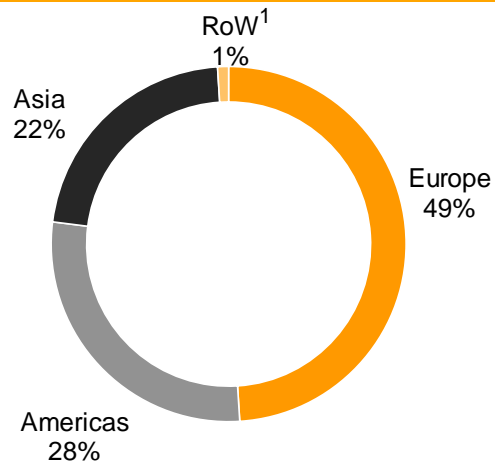


Automotive Group Capex (mn €)

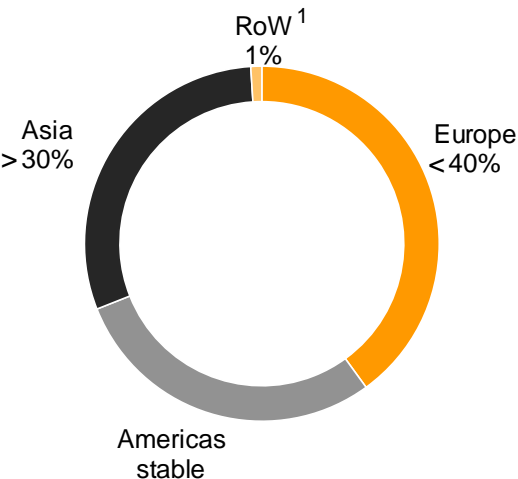


### 3) Opportunities and Challenges in the Medium Term Toward Regional Sales Balance

Sales by Region 2017



Sales by Region 2023E



Distribution of Global PC & LT Production 2017



Distribution of Global PC & LT Production 2023E



<sup>1</sup> Rest of World

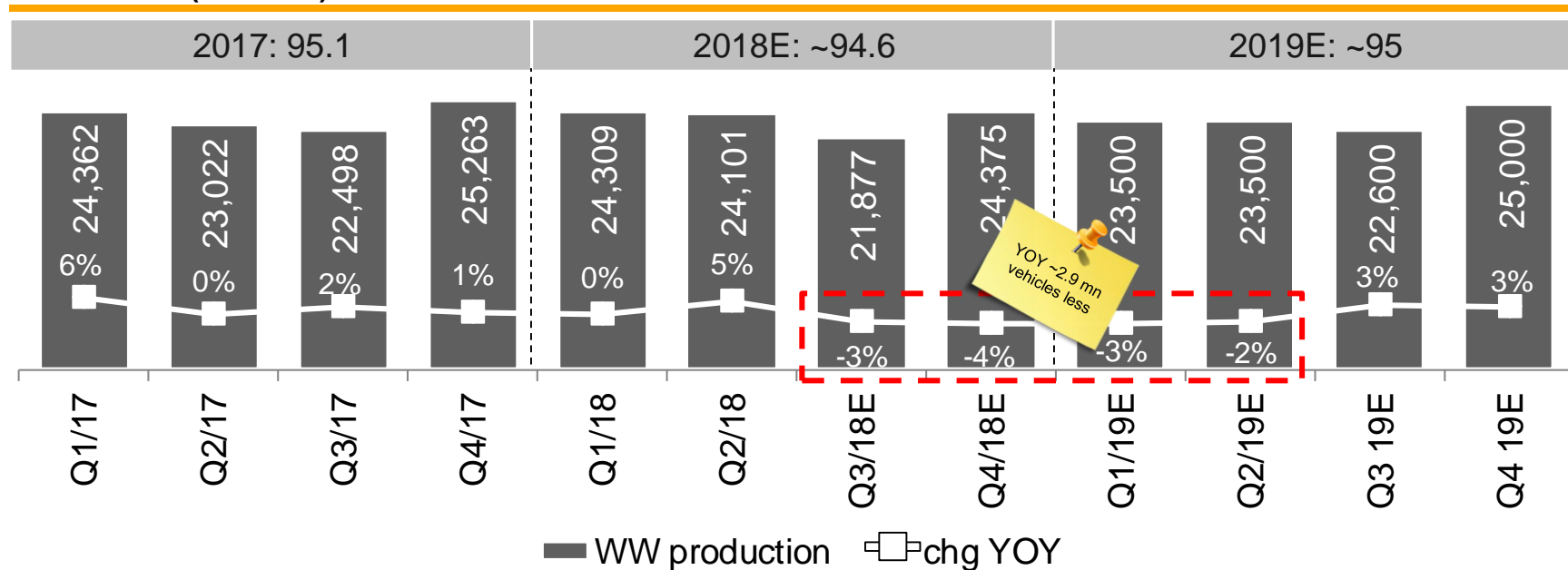


Preliminary Figures for Fiscal 2018 and Outlook 2019  
January 2019

## 4) 2019 Outlook

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

Worldwide (mn units)



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

## 4) 2019 Outlook Market Outlook

Very limited  
predictability on  
production

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

Worldwide production to stay flat	2018E	2019E	Chg.
Europe	21.8	<b>21.8</b>	<b>0%</b>
North America	16.9	<b>16.9</b>	<b>0%</b>
South America	3.5	<b>3.7</b>	<b>+7%</b>
Asia	51.3	<b>51.0</b>	<b>-0%</b>

IHS and own estimates

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

Worldwide production to increase by 3%	2018E	2019E	Chg.
Europe	687	<b>714</b>	<b>+4%</b>
North America	590	<b>620</b>	<b>+5%</b>
South America	143	<b>157</b>	<b>+10%</b>
Asia	1,969	<b>2,004</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 2%	2018E	2019E	Chg.
Europe	358	<b>364</b>	<b>+2%</b>
North America	290	<b>290</b>	<b>+2%</b>
South America	68	<b>69</b>	<b>+2%</b>
Asia	453	<b>467</b>	<b>+3%</b>

LMC and own estimates

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

Worldwide replacement market to increase by 2%	2018E	2019E	Chg.
Europe	25.6	<b>26.0</b>	<b>+2%</b>
North America	25.7	<b>26.4</b>	<b>+3%</b>
South America	15.7	<b>15.7</b>	<b>+0%</b>
Asia	86.5	<b>87.9</b>	<b>+2%</b>

LMC and own estimates

<sup>1</sup> Passenger cars and light trucks <6t.

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

<sup>3</sup> Radial and bias.

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

## 4) 2019 Outlook

### Continental Corporation

	2018E	2019E
Consolidated sales	~€44.4 bn	To increase to about €45 bn – €47 bn at constant FX
adj. EBIT <sup>1</sup> margin	~9.2%	about 8% – 9% adj. EBIT <sup>1</sup> margin
Automotive Group	~€26.8 bn	March 7, 2019
adj. EBIT <sup>1</sup>	~€1.85 bn	
Rubber Group	~€17.6 bn	March 7, 2019
adj. EBIT <sup>1</sup>	~€2.3 bn	
Raw materials cost impact	~€100 mn for the Rubber Group	~€50 mn for the Rubber Group based on latest assumptions
Special effects	~€90 mn	About -€200 mn including carve out effects
Financial result	~€180 mn at constant FX <sup>2</sup>	About -€220 mn at constant FX <sup>2</sup> including IFRS 16
Tax rate	~23%	~27% including carve out effects
Capex	~€3.1 bn	~8% of sales including IFRS 16
PPA amortization	~€180 mn	~€200 mn
Free cash flow before acquisitions	~€1.8 bn excluding net effect of US pension funding	€1.4 bn to €1.6 bn before carve out effects

<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.

# Thank you!



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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.
- › Note: Due to the application of the modified retrospective approach during first time adoption of IFRS 9, *Financial Instruments*, and IFRS 15, *Revenues from Contracts with Customers*, as at January 1, 2018, all the figures from comparative periods are shown unadjusted.



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# Continental

## Financial Calendar

### 2019

Preliminary figures for fiscal 2018	January 14, 2019
Annual Financial Press Conference	March 7, 2019
Annual Shareholders' Meeting (incl. key data for Q1 2019)	April 26, 2019
Q1 Financial Report	May 9, 2019
Half-Year Financial Report	August 5, 2019
Nine-Month Financial Report	November 11, 2019

# Continental

## Share Data/ADR Data

### Share Data

Type of share	No-par value share
Bloomberg Ticker	CON
Reuters Ticker	CONG
German Security Identification Number (WKN)	543 900
ISIN	DE0005439004
Shares outstanding as at December 31, 2018	200,005,983

### ADR Data

Ratio	1:10 (ordinary share : ADRs) <sup>1</sup>
Bloomberg Ticker	CTTAY
Reuters Ticker	CTTAY.PK
ISIN	US2107712000
ADR Level	Level 1
Exchange	OTC
Sponsor	Deutsche Bank Trust Company Americas

# Continental

## Bond Data

Issuer	Continental Rubber of America, Corp. <sup>1</sup>	Continental AG	Continental AG
<b>Issue</b>	Senior Notes	Senior Notes	Senior Notes
<b>Principal amount</b>	€500 mn	€600 mn	€750 mn
<b>Offering price</b>	99.739%	99.410%	99.228%
<b>Rating at issuance date</b>	BBB (S&P) BBB (Fitch)	BBB+ (S&P) BBB+ (Fitch)	Ba1 (Moody's <sup>4</sup> ) BB (S&P) BBB (Fitch <sup>2</sup> )
<b>Current corporation and bond ratings<sup>3</sup></b>	<b>BBB+ (Fitch), BBB+ (S&amp;P), Baa1 (Moody's<sup>4</sup>)</b>		
<b>Coupon</b>	0.5% p.a.	0.0% p.a.	3.125% p.a.
<b>Issue date</b>	November 19, 2015	December 5, 2016	September 9, 2013
<b>Maturity</b>	<b>February 19, 2019</b>	<b>February 5, 2020</b>	<b>September 9, 2020</b>
<b>Interest payment</b>	Annual February 19, Commenced February 20, 2017	Not applicable	Annual September 9
<b>WKN</b>	A1Z7C3	A2DARM	A1X3B7
<b>ISIN</b>	DE000A1Z7C39	XS1529561182	XS0969344083
<b>Denomination</b>	€1,000 with minimum tradable amount €1,000		



<sup>1</sup> Guaranteed by Continental AG.

<sup>2</sup> Non-contracted rating at date of issuance.

<sup>3</sup> Fitch since October 24, 2016; S&P since May 11, 2016; Moody's since June 30, 2015.

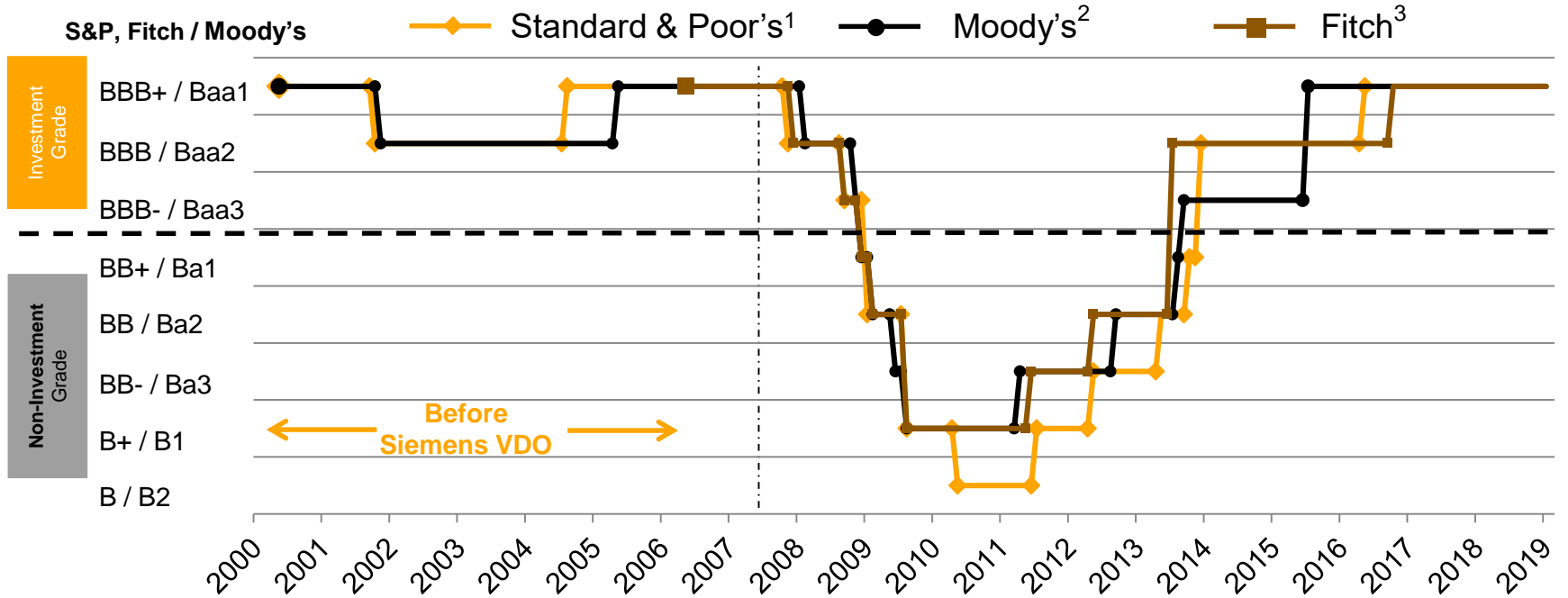
<sup>4</sup> Non-contracted rating since February 1, 2014.

Preliminary Figures for Fiscal 2018 and Outlook 2019  
**January 2019**

EDMR – Equity and Debt Market Relations

# Continental

## Continental's Credit Rating



<sup>1</sup> Contracted rating since May 19, 2000.  
<sup>2</sup> Non-contracted rating since February 1, 2014.  
<sup>3</sup> Contracted rating since November 7, 2013.

Preliminary Figures for Fiscal 2018 and Outlook 2019  
 January 2019

# References

## Useful Links

Continental Investor Relations website	<a href="http://www.continental-ir.com">www.continental-ir.com</a>
Annual and interim reports	<a href="http://www.continental-corporation.com/en/investors/reports">www.continental-corporation.com/en/investors/reports</a>
2017 Fact Book (Investor presentation)	<a href="http://www.continental-corporation.com/en/investors/reports">www.continental-corporation.com/en/investors/reports</a>
Investor Relations events and presentations	<a href="http://www.continental-corporation.com/en/investors/events/presentations">www.continental-corporation.com/en/investors/events/presentations</a>
Sustainability at Continental (presentations for investors)	<a href="http://www.continental-corporation.com/en/sustainability/downloads">www.continental-corporation.com/en/sustainability/downloads</a>
Corporate Social Responsibility	<a href="http://www.continental-sustainability.com">www.continental-sustainability.com</a>
Corporate Governance Principles	<a href="http://www.continental-corporation.com/en/company/corporate-governance/principles-and-declarations">www.continental-corporation.com/en/company/corporate-governance/principles-and-declarations</a>
Continental shares	<a href="http://www.continental-corporation.com/en/investors/share">www.continental-corporation.com/en/investors/share</a>
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