



# Continental Automotive Systems Costa Rica S.A.

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Continental Automotive Systems Costa Rica S.A.  
Plant San José  
Jürgen Haga - CFO



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## AGENDA

1. Why did Continental AG choose Costa Rica? Key factors.
2. What general requirements/certifications do potential suppliers need to sell to Continental AG or the automotive industry?

# Continental Automotive Systems Costa Rica S.A.

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## 1. Why Costa Rica?

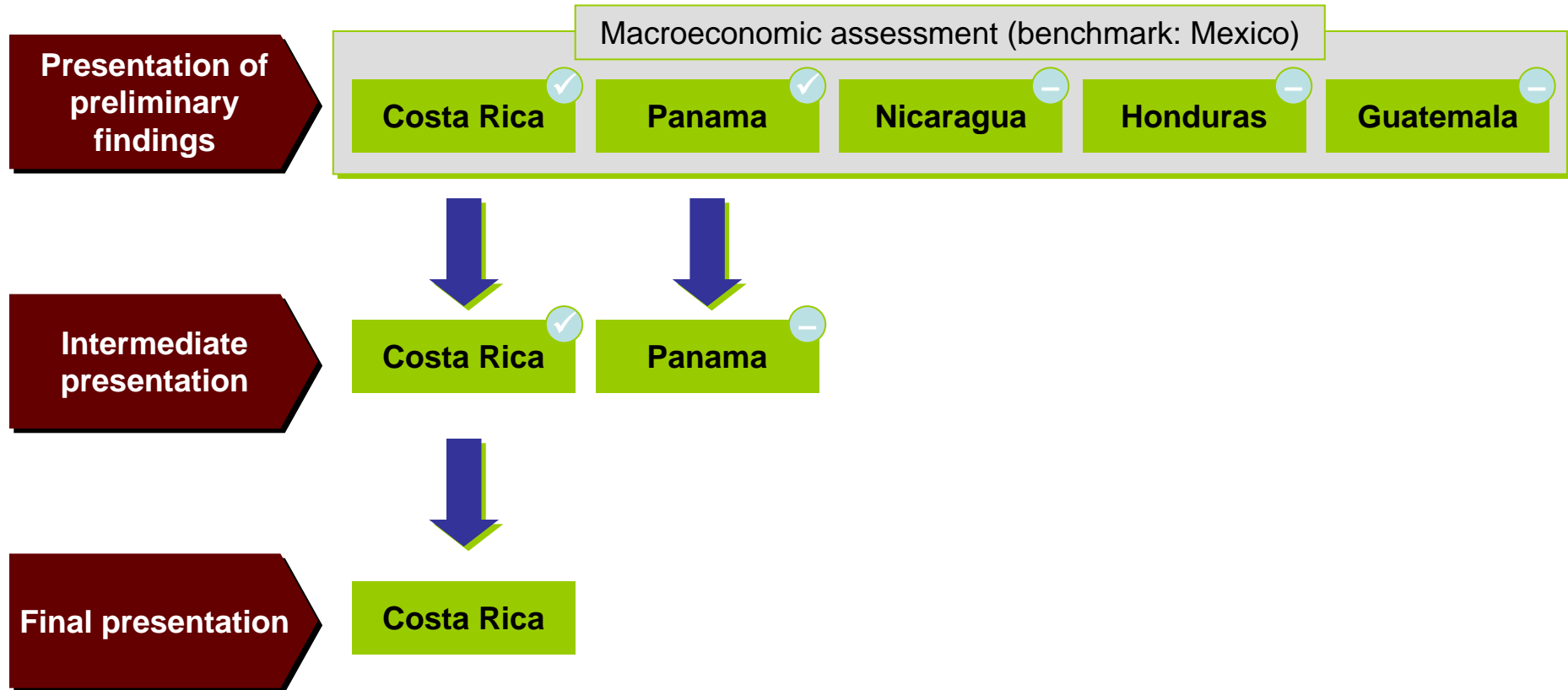
# 1. Why did Continental AG choose Costa Rica?

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1. In accordance with a decision taken by the Board of Management, Continental was evaluating expansion plans in Central America at locations outside Mexico
  - Major driving factors behind this decision include political instability of Mexico and diversification of location risks after several acquisitions
2. For production of new transmission system units and door control units, intended for 2009, additional production space was required
  - Continental required additional 2,700 sqm by 2009, 6,800 sqm by 2011
  - Total staff will amount to 500 employees (2009), reaching 1,200 employees in 2011
3. As a result of preliminary analysis of Central American countries in comparison to Mexico (Honduras, Guatemala, Nicaragua, Costa Rica and Panama), Continental decided to focus on Costa Rica and Panama
4. After a presentation of intermediate results by EAC on December 7<sup>th</sup>, 2006, Continental Temic opted for Costa Rica for in-depth assessment of investment environment

# 1. Why did Continental AG choose Costa Rica?

## Research progress overview



- ✓ Qualified for further evaluation
- No further evaluation

# 1. Why did Continental AG choose Costa Rica?

## Overall assessment Costa Rica/ Mexico

	Costa Rica		Mexico	
<b>Political/ legal environment</b>	<ul style="list-style-type: none"> <li>Stable political environment</li> <li>Marginal role of union</li> </ul>	+	<ul style="list-style-type: none"> <li>Manageable environment, but constant monitoring required</li> <li>Strong role of unions</li> </ul>	+/-
<b>HR availability and fluctuation</b>	<ul style="list-style-type: none"> <li>High availability of qualified labor with background in electronics</li> <li>Low fluctuation</li> </ul>	+	<ul style="list-style-type: none"> <li>Sufficient availability, but shortcomings in qualifications of Shopfloor</li> <li>High fluctuation</li> </ul>	+/-
<b>Labor costs</b>	<ul style="list-style-type: none"> <li>Comparatively low labor costs</li> </ul>	+	<ul style="list-style-type: none"> <li>Comparatively low labor costs</li> </ul>	+
<b>Logistics</b>	<ul style="list-style-type: none"> <li>Competitive logistic costs (air freight/ sea), good connection to airport</li> <li>Road transportation not possible</li> </ul>	+	<ul style="list-style-type: none"> <li>Road transportation possible to the US</li> <li>Complex transportation to Europe via charter airport Cancún</li> </ul>	+/-
<b>Satisfaction of other investors</b>	<ul style="list-style-type: none"> <li>High satisfaction with Costa Rica</li> </ul>	+	<ul style="list-style-type: none"> <li>Some companies interviewed left Mexico for Costa Rica</li> </ul>	+/-
<b>Location risk diversification</b>	<ul style="list-style-type: none"> <li>Currently no location in Costa Rica</li> </ul>	+	<ul style="list-style-type: none"> <li>Large number of factories in Mexico</li> </ul>	+/-
<b>Overall assessment</b>	Continental decided to go to Costa Rica			

## 2. Requirements & Necessary Certifications For Supplier

## 2. What general requirements/certifications do potential suppliers need to sell to Continental AG or the automotive industry?

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### Expectations Purchasing Continental

- Continental Automotive reflects a customer-oriented, integrated management of innovation, application and production to the benefit of our customer.
- Core competencies are quality, technology and cost competitiveness. The vision of Continental Automotive Purchasing is an early involvement of suppliers in the development process, creating sophisticated products to the benefit of our customer. Supply Chain Management and ongoing Value-Analysis-Programs are standard. Purchasing at Continental Automotive is driven by a cross-Business-Unit commodity management called Lead Buyer System.
- Continental Automotive has decided to transact business processes through SupplyOn, the marketplace of suppliers for suppliers. For future invitations to bid, Continental Automotive has decided to preferentially consider those suppliers who can be addressed over SupplyOn. You will find more detailed information about SupplyOn on the [www.SupplyOn.com](http://www.SupplyOn.com) home page, please visit the SupplyOn Marketplace for more information.
- Continental Automotive Purchasing is globally oriented and looks for global suppliers willing to meet our expectations on quality, technology and cost competitiveness.

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### Expectations Quality Continental

**Quality is our Core Competence - that is our Philosophy.**

What does it mean to our suppliers?

- “It takes perfect parts to make perfect products. We involve our suppliers in our processes and support them in meeting our high quality demands.”

The basic expectations on our suppliers are:

- Registration on D&B D-U-N-S Number / D&B DUNS Number
- Registration on SupplyOn
- Certification according to TS 16949
- Certification according to ISO 14001
- With this, a comprehensive process-oriented Management System shall be operative, emphasizing preventive Quality Management and Continuous Improvement as a Strategy for the enterprise.
- We appreciate the support of our suppliers, as partners in the development phase and partners in realizing joint, ambitious goals to assure that – “our standard of quality is the benchmark within the automotive industry.”

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### Expectations Quality Continental

#### Supplier Rating System

- In the industrial competition, perfect quality and continual improvement are the basic assumptions for success of our company. We can assure both assumptions just together with our business partners. Our common target is the continual improvement of the quality of our products and services.
- We need to record and assess our actual performance in order to set targets for the future.
- The Continental Automotive Systems (CAS) Supplier Rating System records and evaluates the performance of suppliers for production material. The SRS enables us to assess and to compare the performance of our suppliers objectively and further on to support our decisions in the procurement process.
- We provide monthly rating to our suppliers in order to notify them about their performance, measured on basis of the expectations in the global market in the automotive industry. Our suppliers shall access their SRS-Ratings via the SupplyOn-marketplace, in the “Performance Monitor”.

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### Expectations Quality Continental

#### Supplier Requirements

- Continental Automotive Systems is committed to providing on time quality products and services that meet our customer's needs and requires a commitment from our suppliers to provide the same to us and hence implement appropriate systems and controls to ensure the 100% on-time delivery of conforming, defect free products to Continental Automotive Systems.
- The details stipulated within this manual are the minimum mandatory requirements for "approved" production (including aftermarket) goods and service suppliers to the group of companies of Continental Automotive Systems, its subsidiaries and affiliates, irrespective of their global location.
- Required Processes and Forms:
  - **Advanced Quality Planning (AQP)**
  - **Production Part Approval Process (PPAP)**
  - **Request and Release of Changes (ECR)**
  - **... (and some more)**

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### Expectations Quality Continental

#### Responsibility for Man and the Environment

- Our high quality approach includes the commitment to responsibly care about our natural resources. Within our corporate vision Environmental Protection is equally ranked beside innovation, quality and economic sustainability. Economic success and ecologic responsibility are considered as complementary rather than contradictive.
- It is our target to include suppliers and contractors in our Environment, Health & Safety activities and support them in meeting the high standards of our policies.

#### Certification Requirements

- Suppliers are required to install environmental systems in their facilities that are compliant to ISO 14001. Certified suppliers must record their initial and renewal environmental system certifications in the “Business Directory” of the SupplyOn Platform within 10 days of receiving the certificate from their registrar.

#### Design for Environment Requirements

- Suppliers shall meet the requirements on Design for Environment as stipulated in the standard ATE N 550 00.02 of Continental Automotive Systems, provided in the “Business Directory” at SupplyOn.

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Thank you for your attention!

For further investigations, you can use:

[http://www.conti-online.com/generator/www/de/en/cas/cas/themes/suppliers/purchasing\\_homepage\\_en.html](http://www.conti-online.com/generator/www/de/en/cas/cas/themes/suppliers/purchasing_homepage_en.html)