

# Continental Significantly Increases Earnings in Second Quarter



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BY [CONTINENTAL AG](#)

Consolidated sales of €10.0 billion (Q2 2023: €10.4 billion, -4.1 percent)

- Adjusted EBIT of €704 million (Q2 2023: €501 million, +40.6 percent)
- Adjusted EBIT margin of 7.0 percent (Q2 2023: 4.8 percent)
- Net income of €305 million (Q2 2023: €209 million, +46.2 percent)
- Adjusted free cash flow of €147 million (Q2 2023: -€14 million)
- CEO Nikolai Setzer:

As announced, we improved in all group sectors compared with the first quarter. In the current challenging market environment, the improvements in earnings are mainly due to the measures we have taken in the group sectors

- CFO Olaf Schick:

We will not let up in the second half of the year and will continue to work hard to achieve the financial targets we have set ourselves

- Continental adjusts outlook due in large part to lower expected production of passenger cars and light commercial vehicles

Hanover, August 7, 2024. Continental ended the second quarter of 2024 in line with its expectations. As announced, the company significantly increased earnings in all three group sectors compared with the first quarter of this year. The technology company also posted much stronger earnings year-on-year. In the Automotive group sector, price adjustments and initial savings from cost-cutting measures had

a particularly positive effect. The Tires group sector achieved good results thanks mainly to the strong tire-replacement business, especially in Europe. In a weak industrial market environment, ContiTech also benefited from price adjustments and strict cost discipline. Furthermore, Continental has adjusted its outlook due in large part to lower expected production of passenger cars and light commercial vehicles.

As announced, we improved in all group sectors compared with the first quarter. We have made significant progress in Automotive and aim to improve even further in the coming quarters. Tires achieved good results, while ContiTech also performed well despite a still weak industrial environment. In the current challenging market environment, the improvements in earnings are mainly due to the measures we have taken in the group sectors,

said Continental CEO Nikolai Setzer in Hanover on Wednesday.

Adjusted operating result (adjusted EBIT) of €704 million

In the second quarter of 2024, Continental achieved consolidated sales of €10.0 billion (Q2 2023: €10.4 billion, -4.1 percent). Its adjusted operating result increased to €704 million (Q2 2023: €501 million, +40.6 percent), corresponding to an adjusted EBIT margin of 7.0 percent (Q2 2023: 4.8 percent).

Net income in the second quarter amounted to €305 million (Q2 2023: €209 million,

+46.2 percent). Adjusted free cash flow was €147 million (Q2 2023: -€14 million).

The measures we have adopted to reduce costs and our commitment to implementing them effectively are starting to pay off and helped us to improve significantly compared with the first quarter. We will not let up in the second half of the year and will continue to work hard to achieve the financial targets we have set ourselves,

said Continental CFO Olaf Schick.

Weak automotive production in Europe

The global production of passenger cars and light commercial vehicles in the second quarter of 2024 was roughly on par with the previous year, falling marginally by around 1 percent year-on-year to 22.1 million units (Q2 2023: 22.3 million units).

At around 4.3 million units, vehicle production in Europe from April to June 2024 was significantly lower than the prior-year period (-6 percent). In North America, production rose slightly to around 4.2 million vehicles (+2 percent). China saw gains of roughly 5 percent, producing around 7.0 million vehicles in the second quarter of 2024.

### Market outlook and forecast for fiscal 2024 adjusted

For the current fiscal year, Continental expects the production of passenger cars and light commercial vehicles to develop by -3 to -1 percent year-on-year (previously: -1 to +1 percent). This is due to in large part to the European market, where Continental forecasts a slowdown of

-6 to -4 percent (previously: -3 to -1 percent). The technology company expects the North American market to develop by -1 to +2 percent (previously: 0 to +3 percent) in the tire-replacement business.

Given the expected market trends described above, Continental has adjusted its outlook for the current fiscal year.

Continental now expects consolidated sales of around €40.0 billion to €42.5 billion (previously: around €41.0 billion to €44.0 billion) and still expects an adjusted EBIT margin of around 6.0 to 7.0 percent.

For the Automotive group sector, Continental expects sales of around €19.5 billion to €21.0 billion (previously: around €20.0 billion to €22.0 billion) and an adjusted EBIT margin of around 2.5 to 3.5 percent (previously: 3.0 percent to 4.0 percent).

For the Tires group sector, Continental now anticipates sales of around €13.5 billion to €14.5 billion (previously: around €14.0 billion to €15.0 billion) and still expects an adjusted EBIT margin of around 13.0 to 14.0 percent.

For the ContiTech group sector, Continental still expects sales of around €6.6 billion to €7.0 billion and now expects an adjusted EBIT margin of around 6.5 to 7.0 percent (previously: around 6.5 to 7.5

percent).

Adjusted free cash flow is expected to be around €0.6 billion to €1.0 billion (previously: around €0.7 billion to €1.1 billion).

Automotive: strong improvement compared with the start of 2024 and the prior-year quarter

In the Automotive group sector, sales fell by 3.4 percent to €5.0 billion (Q2 2023: €5.1 billion). At 2.7 percent, the adjusted EBIT margin improved significantly year-on-year

(Q2 2023: -0.5 percent). This was mainly due to agreements from price negotiations with automotive manufacturers, the systematic implementation of cost-cutting measures and efficiency improvements. Continental expects the positive effects to be even greater in the second half of the year. Conversely, earnings were dented by weak automotive production in Europe.

In the last quarter, Continental also received a large order from a major international manufacturer for a center console display, with an order volume exceeding €2 billion. The total order volume of the Automotive group sector in the second quarter of 2024 amounted to €5.9 billion.

Tires: good second-quarter results

The Tires group sector achieved good results in the second quarter, generating sales of €3.4 billion (Q2 2023: €3.5 billion, -1.7 percent). At 14.7 percent, its adjusted EBIT margin was higher than in the previous year (2023: 13.7 percent) and up sharply on the first quarter of 2024. The group sector benefited from a strong tire-replacement business, especially in Europe.

Tires for the European market are manufactured at various locations, including in Lousado, Portugal, where this year Continental rolled out carbon-neutral production for its tires. This has been made possible thanks to steam generated by a boiler powered just by electricity. Continental generates the steam using both in-house produced solar power and renewable energy from the power grid. The plant is one of Continental's largest, with an annual production capacity of

18 million tires. Continental plans to switch all of its tire plants to fully

carbon-neutral production processes by 2040 at the latest.

Lousado is also home to the production of Continental's most sustainable tire, the UltraContact NXT, which recently won the German Award for Sustainability Projects 2024. The tire – which is composed of up to 65 percent renewable, recycled and ISCC PLUS mass balance-certified materials – has already received numerous awards, including the Sustainability Award at the Swiss Automotive Show Innovation Awards 2023, the International Design Award 2023 and the Tire Technology International Award 2024.

ContiTech: significantly improved margin in the second quarter of 2024

The ContiTech group sector posted sales of €1.6 billion (Q2 2023: €1.7 billion, -5.5 percent) and an adjusted EBIT margin of 7.1 percent (Q2 2023: 6.5 percent) in the second quarter. Despite weak industrial demand, ContiTech's earnings significantly improved compared with the first quarter of the year, largely on the back of strict cost discipline combined with agreements from price negotiations in the automotive business.

ContiTech also received several major orders in the second quarter. One of these was from a US customer for the strongest conveyor belt in the world, the ST 10,000. Measuring up to 3.2 meters wide, it can pull a total weight of 3,200 metric tons – equivalent to more than 2,100 small cars. The order volume for this particular conveyor belt, including offered services, amounts to around €40 million.

Spokesperson, Business & Finance

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