

Despite a Turbulent Market Environment, Continental Is Optimistic for the Second Half of the Year



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Stagnant automotive production in the second quarter

In the months of April to June 2022, global automotive production was on par with the comparably weak second quarter of the previous year, when the semiconductor shortage first really made itself felt. The production of passenger cars and light commercial vehicles was down in the second quarter of 2022, particularly in China as a result of the temporary lockdowns imposed in many cities because of the pandemic (5.4 million units, -5.8 percent). Europe also recorded a weaker second quarter due to disrupted supply chains (3.8 million units, -5.4 percent). In North America, however, the production of passenger cars and light commercial vehicles was up against the very weak prior-year period (3.6 million units, +11.6 percent). According to preliminary figures, the global production of passenger cars and light commercial vehicles stagnated compared with the second quarter of 2021 at a total of 18.8 million units (Q2 2021: 18.8 million units).

Continued weak automotive production amidst massive increases in costs affected the Automotive group sector in particular. Nevertheless, as a result of continued high demand for its products and positive effects from various measures, the group sector significantly outperformed the market. Its sales increased by 13.7 percent to €4.3 billion (Q2 2021: €3.8 billion). After adjusting for exchange-rate effects and changes in the scope of consolidation, it posted organic sales growth of +7.7 percent, while global automotive production stagnated. Its adjusted EBIT margin was -2.3 percent (Q2 2021: -2.3 percent).

In addition, Continental continued to boost its order volume. This amounted to more than €6.0 billion in the second quarter, around

40 percent higher than the previous year's figure. Continental recorded strong order growth in all five Automotive business areas over the past quarter – from display solutions and state-of-the-art systems for internet connectivity in cars to cloud-based solutions that reduce fuel consumption in commercial vehicles, as well as cameras, high-performance computers and conventional electronics.

The Tires group sector closed the second quarter successfully, recording increased sales in the car tires and commercial-vehicle tires replacement business compared with the previous year. With sales of €3.4 billion (Q2 2021: €2.9 billion, +17.1 percent), it achieved an adjusted EBIT margin of 13.8 percent (Q2 2021: 17.8 percent).

When it comes to electric vehicles, Continental tires are particularly popular. They have received original-equipment approvals for more than 300 different vehicle models already, and seven of the ten most successful manufacturers of electric vehicles worldwide rely on Continental tires for their original equipment. Overall, the company's market share in the electric vehicle segment is higher than for cars with combustion engines.

In addition, Continental is launching more and more sustainability components, with tires containing polyester from recycled PET bottles now available to all dealers in Europe. Continental introduced its [ContiRe.Tex](#) technology – which makes it possible to completely replace the polyester conventionally used in the tire casing – into volume production in April 2022. The premium tire manufacturer currently offers three models featuring polyester from recycled PET bottles, each available in five sizes: the PremiumContact 6, the EcoContact 6 and the AllSeasonContact year-round tire.

ContiTech is investing in North America and Sweden

The ContiTech group sector also felt the effects of increased costs and weaker automotive production in the second quarter, posting sales of €1.6 billion (Q2 2021: €1.5 billion, +8.2 percent) and an adjusted EBIT margin of 4.9 percent (Q2 2021: 7.9 percent). The industrial hose business performed particularly well, and sales of conveyor belts and air spring systems also rose.

ContiTech is also expanding its industrial business. In San Luis Potosí, Mexico, a new, ultra-modern production site for industrial hydraulic hoses is being built. The planned investment amounts to

more than €38 million. The new plant will create additional capacity for a wide range of hose solutions in order to cover the increasing demand in North America. Hydraulic products support many key industries, including agriculture, construction, energy, engineering as well as fluid transport in agricultural, construction and many other industrial vehicles. Around 150 new jobs will be created at the new plant. In addition, the group sector has acquired conveyor belt manufacturer WCCO Belting, headquartered in Wahpeton, North Dakota, USA. With this acquisition, ContiTech is expanding its customer portfolio for conveyor belts and strengthening its conveying solutions business in the agricultural industry.

ContiTech has also taken over the conveyor belt system and services business of NorrVulk AB, which is headquartered in Gällivare, Sweden. This complements the technology company's portfolio for conveyor belt systems and related services and strengthens its business with industrial customers in the region.

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