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Press and IR release

## Schaeffler on track

- **Revenue grows 5.8 percent at constant currency in the first six months**
- **Mid-year EBIT margin before special items of 11.1 percent flat with prior year (prior year: 11.1 percent)**
- **Significantly higher order intake for Automotive OEM division, book-to-bill ratio 1.8x (prior year 1.1x)**
- **Revenue and earnings driven by encouraging performance of Automotive Aftermarket and Industrial divisions**
- **Free cash flow before M&A activities of minus 74 million euros slightly improved from prior year**
- **Outlook for the year confirmed for Schaeffler Group and the two Automotive divisions, revenue guidance raised for Industrial division**

HERZOGENAURACH, *August 7, 2018.* Global automotive and industrial supplier Schaeffler presented its interim report for the first half of 2018 today. The Schaeffler Group's revenue amounts to approximately 7.2 billion euros (prior year: approximately 7 billion euros) at mid-year. At constant currency, revenue increased by 5.8 percent during the period, 7.9 percent in the second quarter. Once again, all three divisions and all four regions contributed to the group's revenue growth at constant currency, with the Greater China region reporting a constant currency growth rate of 18.7 percent, the largest increase by far. The Schaeffler Group generated earnings before financial result and income taxes (EBIT) of 773 million euros during the first six months; second quarter EBIT was affected by a special item of 22 million euros related to the restructuring expenses for the integration of the internal supplier "Bearings & Components Technologies" (BCT) announced on May 07, 2018. As a result, EBIT before special items amounted to 795 million euros (prior year: 780 million euros). This represents an EBIT margin before special items of 11.1 percent (prior year: 11.1 percent).

Klaus Rosenfeld, CEO of Schaeffler AG, commented on the performance of the business in the first half of the year: "In a persistently challenging environment, we are on track to meet our targets for 2018. Our earnings were primarily driven by the solid performance of the Automotive Aftermarket and Industrial divisions. In addition, the trend for the first six months demonstrates that, as an automotive and industrial supplier, we are properly positioned strategically".

**Automotive OEM increases revenue - Considerably higher order intake**

The Automotive OEM division generated approximately 4.6 billion euros in revenue in the first six months. At constant currency, revenue increased by 4.8 percent compared to the prior year, a growth rate 3.1 percentage points higher than the average growth in production volumes of passenger cars and light commercial vehicles for the same period. Absolute order intake rose to 8.3 billion euros (prior year: 4.7 billion euros) during the first six months. The book-to-bill ratio, which represents the ratio of order intake to revenue for the year, increased to 1.8x (prior year: 1.1x) during the same period. All four of the Automotive OEM division's business divisions contributed to its revenue growth, with the E-Mobility business division reporting the highest revenue growth rate at constant currency, 7.7 percent, in the first half of 2018. At 13.4 percent, constant currency revenue growth was once more particularly significant in the Automotive OEM division's Greater China region, followed by 4.0 percent in the Asia/Pacific region, 3.7 percent in Americas, and 2.4 percent in Europe. The division generated 424 million euros (prior year: 483 million euros) in EBIT before special items in the first six months, bringing the EBIT margin before special items for the same period to 9.2 percent, less than the prior year margin of 10.7 percent. The decrease was primarily attributable to ramp-up costs, project delays in China, increased raw materials prices, and one-time items. These items were only partially offset by higher volumes and efficiency gains. Based on the encouraging volume of orders for the second half of the year, the division still expects to generate revenue growth of 6 to 7 percent at constant currency and an EBIT margin before special items of between 9.5 and 10.5 percent for the full year 2018.

**Automotive Aftermarket back on growth path – Strong revenue growth of 12.3 percent in the second quarter**

Following a temporary drop in revenue in the first quarter, the Automotive Aftermarket division increased its revenue significantly by 12.3 percent at constant currency in the second quarter, thus generating 925 million euros (prior year: 928 million euros) in revenue for the first half of 2018. At constant currency, revenue rose by 3.6 percent during the first six months of the year. The Greater China (39.8 percent) and Asia/Pacific (15.9 percent) regions reported the strongest constant currency growth in this division as well, followed by Europe (5.4 percent). Revenue in the Americas region declined on an adjusted basis (minus 8.9 percent) due to non-recurring additional requirements of an Original Equipment Services (OES) customer in the prior year period. Overall, the division's growth was mainly driven by demand in the open (independent) market, the Independent Aftermarket (IAM). The Automotive Aftermarket division's EBIT before special items for the first six months amounted to 176 million euros (prior year: 161 million euros), including a favorable one-time item in the second quarter related to reversed provisions. Based on this EBIT, the EBIT margin before special items was 19 percent (prior year: 17.3 percent). The group continues to expect the Automotive Aftermarket division to generate revenue growth of 3 to 4 percent at constant currency and an EBIT margin before special items of 16.5 to 17.5 percent in 2018.

**Industrial business with double-digit growth rates – revenue guidance for the year raised**

The Industrial division increased its revenue to approximately 1.7 billion euros (prior year: approximately 1.6 billion euros) during the first six months of 2018. At constant currency, revenue growth amounted to 10 percent and was primarily driven by Industrial Distribution. Especially the railway, raw materials, offroad, and power transmission sector clusters contributed considerably to the higher revenue as well. By far the largest increase was achieved by the Greater China region (36.7 percent), ahead of Americas (6.9 percent), Asia/Pacific (6.7 percent), and Europe (5.9 percent). The Industrial division generated 195 million euros (prior year: 136 million euros) in EBIT before special items for the first six months, representing an EBIT margin before special items of 11.6 percent (prior year: 8.6 percent). The improved margin is attributable to the favorable impact of economies of scale and pricing, as well as to efficiency gains and cost savings resulting from the program "CORE". Based on current assessments, the Schaeffler Group is raising its guidance for the Industrial division's constant currency revenue growth for the full year 2018 from previously 3 to 4 percent to 6 to 7 percent. The target for the EBIT margin before special items of 9 to 10 percent remains unchanged.

**Free cash flow slightly improved – outlook for Schaeffler Group confirmed**

Net income attributable to shareholders for the first half of 2018 rose slightly compared to the prior year period, amounting to 509 million euros (prior year: 485 million euros). Earnings per common non-voting share were 0.77 euros (prior year: 0.73 euros). Free cash flow before cash in- and outflows for M&A activities of minus 74 million euros for the first six months was slightly better than the corresponding prior year amount (minus 86 million euros). Capital expenditures on property, plant and equipment and intangible assets for the first half of 2018 of 595 million euros were approximately flat with prior year (prior year: 594 million euros), representing a capex ratio of 8.3 percent of revenue (prior year: 8.4 percent).

"As in the prior year, the Schaeffler Group's free cash flow is primarily generated in the second half of the year. Based on current estimates we are optimistic that we will meet our full-year target of approximately 450 million euros before cash in- and outflows for M&A activities," said Dietmar Heinrich, CFO of Schaeffler AG.

Net financial debt as at June 30, 2018, increased by 463 million euros, raising the gearing ratio, i.e. the ratio of net financial debt to shareholders' equity, to approximately 107 percent (December 31, 2017: 93 percent). As at June 30, 2018, the Schaeffler Group had total assets of approximately 12 billion euros (prior year: approximately 11.1 billion euros) and employed a workforce of 92,198 (prior year: 87,937), an increase of approximately 4.8 percent.

For the full year 2018, the group continues to anticipate revenue growth of 5 to 6 percent at constant currency, an EBIT margin before special items of 10.5 to 11.5 percent, and free cash flow before cash in- and outflows for M&A activities of approximately 450 million euros. “We recognize that our business environment remains demanding and fraught with uncertainty in the coming six months as well. Nevertheless, we are confirming the outlook for the Schaeffler Group for 2018 with a slight increase in the revenue guidance for the Industrial division,” Klaus Rosenfeld stated.

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# Schaeffler Group at a glance

| | 1st six months | | | |
|---|---|---|---|---|
| **Income statement** (in € millions) | **2018** | **2017** | | Change |
| Revenue | 7,193 | 7,046 | 2.1 | % |
| • at constant currency | | | 5.8 | % |
| EBIT | 773 | 793 | -2.5 | % |
| • in % of revenue | 10.7 | 11.3 | -0.6 | %-pts. |
| EBIT before special items [1] | 795 | 780 | 1.9 | % |
| • in % of revenue | 11.1 | 11.1 | 0.0 | %-pts. |
| Net income [2] | 509 | 485 | 4.9 | % |
| Earnings per common non-voting share (basic/diluted, in €) | 0.77 | 0.73 | 5.5 | % |
| **Statement of financial position** (in € millions) | **06/30/2018** | **12/31/2017** | | Change |
| Total assets | 12,002 | 11,537 | 4.0 | % |
| Shareholders' equity [3] | 2,657 | 2,548 | 109 | € millions |
| • in % of total assets | 22.1 | 22.1 | 0.0 | %-pts. |
| Net financial debt | 2,833 | 2,370 | 19.5 | % |
| • Net financial debt to EBITDA ratio before special items [1) 4)] | 1.2 | 1.0 | | |
| • Gearing ratio (Net financial debt to shareholders' equity [3], in %) | 106.6 | 93.0 | 13.6 | %-pts. |
| | 1st six months | | | |
| **Statement of cash flows** (in € millions) | **2018** | **2017** | | Change |
| EBITDA | 1,170 | 1,175 | -0.4 | % |
| Cash flows from operating activities | 520 | 506 | 14 | € millions |
| Capital expenditures (capex) [5] | 595 | 594 | 1 | € millions |
| • in % of revenue (capex ratio) | 8.3 | 8.4 | -0.1 | %-pts. |
| Free cash flow (FCF) before cash in- and outflows for M&A activities | -74 | -86 | 12 | € millions |
| • FCF conversion ratio (ratio of FCF before cash in- and outflows for M&A activities to EBITDA, in %) [1) 4)] | 22.1 | 18.1 | 4.0 | %-pts. |
| **Value-based management** | | | | Change |
| ROCE before special items (in %) [1) 4)] | 19.8 | 20.7 | -0.9 | %-pts. |
| Schaeffler Value Added before special items (in € millions) [1) 4)] | 792 | 837 | -5.4 | % |
| **Employees** | **06/30/2018** | **12/31/2017** | | Change |
| Headcount | 92,198 | 90,151 | 2.3 | % |

| | 1st six months | | | |
|---|---|---|---|---|
| **Automotive OEM division** [6] (in € millions) | **2018** | **2017** | | Change |
| Revenue | 4,587 | 4,528 | 1.3 | % |
| • at constant currency | | | 4.8 | % |
| EBIT | 414 | 496 | -16.5 | % |
| • in % of revenue | 9.0 | 11.0 | -2.0 | %-pts. |
| EBIT before special items [1] | 424 | 483 | -12.2 | % |
| • in % of revenue | 9.2 | 10.7 | -1.5 | %-pts. |
| **Automotive Aftermarket division** [6] (in € millions) | | | | Change |
| Revenue | 925 | 928 | -0.3 | % |
| • at constant currency | | | 3.6 | % |
| EBIT | 176 | 161 | 9.3 | % |
| • in % of revenue | 19.0 | 17.3 | 1.7 | %-pts. |
| EBIT before special items [1] | 176 | 161 | 9.3 | % |
| • in % of revenue | 19.0 | 17.3 | 1.7 | %-pts. |
| **Industrial division** [6] (in € millions) | | | | Change |
| Revenue | 1,681 | 1,590 | 5.7 | % |
| • at constant currency | | | 10.0 | % |
| EBIT | 183 | 136 | 34.6 | % |
| • in % of revenue | 10.9 | 8.6 | 2.3 | %-pts. |
| EBIT before special items [1] | 195 | 136 | 43.4 | % |
| • in % of revenue | 11.6 | 8.6 | 3.0 | %-pts. |

[1] Please refer to pp. 20 et seq. for the definition of special items.
[2] Attributable to shareholders of the parent company.
[3] Including non-controlling interests.
[4] Based on the last twelve months.
[5] Capital expenditures on intangible assets and property, plant and equipment.
[6] Prior year information presented based on 2018 segment structure.

***Forward-looking statements and projections***

*Certain statements in this press release are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial consequences of the plans and events described herein. No one undertakes any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. You should not place any undue reliance on forward-looking statements which speak only as of the date of this press release. Statements contained in this press release regarding past trends or events should not be taken as representation that such trends or events will continue in the future. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that Schaeffler, or persons acting on its behalf, may issue.*

**About Schaeffler**

The Schaeffler Group is a global automotive and industrial supplier. Top quality, outstanding technology, and exceptionally innovative spirit form the basis for the continued success of the company. By delivering high-precision components and systems in engine, transmission, and chassis applications, as well as rolling and plain bearing solutions for a large number of industrial applications, the Schaeffler Group is already shaping "Mobility for tomorrow" to a significant degree. The technology company generated sales of approximately EUR 14 billion in 2017. With more than 92,000 employees, Schaeffler is one of the world's largest family companies and, with approximately 170 locations in over 50 countries, has a worldwide network of manufacturing locations, research and development facilities, and sales companies.

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