

Press Release

Half year results 2016

## **Schaeffler with significant earnings increase in H1 2016**

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- **Revenue increases by approximately 3 % to EUR 6.7 billion at constant currency**
- **EBIT margin improves to 12.8 %**
- **Net income increases by approximately 60 % to EUR 494 million**
- **Guidance for 2016 confirmed**

Global automotive and industrial supplier Schaeffler continues to grow profitably. It generated EUR 6.7 billion in **revenue** in the first six months of 2016. At constant currency, the growth rate was 2.9 percent. The company's EBIT margin improved by 0.5 percentage points to 12.8 percent (prior year: 12.3 percent before special items). There were no special items during the first half of 2016. Net income increased by approximately 60 percent to EUR 494 million (prior year: EUR 309 million). "Our business has developed well during the first half of 2016. We are growing, and all of our relevant earnings indicators have improved," Klaus Rosenfeld, CEO of Schaeffler AG, said on Thursday during the presentation of the half year results for 2016.

The Automotive business reported growth of 5.4 percent at constant currency compared to the prior year (+2.2 percent including the impact of currency translation), once more outpacing the increase in production volumes of passenger cars and light commercial vehicles (+2.2 percent). From a regional perspective, strong demand in Greater China and Asia/Pacific were the main contributors to the revenue increase.

In a challenging market environment, Industrial business revenue for the second quarter 2016 remained stable compared to the first quarter. This trend was due in large part to the Europe region, which generated slight growth. Revenue for the first half of 2016 declined by 4.9 percent at constant currency (-7.2 percent including the impact of currency translation) compared to the prior year period. While certain sectors, such as wind, two wheelers, and aerospace, have grown considerably, revenue was adversely affected by economic uncertainties, especially in the raw materials sector and in Industrial Distribution.

Revenue trends differed across the four Schaeffler Group regions. Revenue in the Europe region was up 2.7 percent at constant currency (+1.4 percent including

the impact of currency translation). The Americas region reported slight revenue growth of 0.3 percent at constant currency ( 5.5 percent including the impact of currency translation), a reflection not only of the weak industrial business but also of the uncertain economic situation in Brazil. Driven by the buoyant Automotive business, revenue in the Greater China and Asia/Pacific regions increased at constant currency, rising by 5.3 percent (+0.9 percent including the impact of currency translation) and 5.9 percent (+2.0 percent including the impact of currency translation), respectively.

**EBIT** (earnings before interest and taxes) rose by 5.0 percent to EUR 859 million compared to the prior year. The EBIT margin increased from 12.3 percent to 12.8 percent. The Automotive business EBIT margin amounted to 14.3 percent in the first half of 2016 (prior year: 13.0 percent). The Industrial EBIT margin for the same period was 7.8 percent (prior year: 10.1 percent). Following 6.4 percent for the first quarter, the Industrial division's EBIT margin improved significantly to 9.3 % in the second quarter, due, among other things, to the measures taken in connection with the CORE efficiency program.

**Net income** amounted to EUR 494 million (prior year: EUR 309 million). Klaus Rosenfeld commented: „We increased our net income by approximately 60 percent during the first six months. In addition to the strong operating results, this increase was also driven by the considerable reduction in financial expenses.“ Net financial result improved from minus EUR 337 million to minus EUR 153 million. The prior year financial result had reflected one-time charges related to the early redemption of bonds.

The Schaeffler Group increased its cash flows from operating activities to EUR 777 million in the first six months of 2016 (prior year: EUR 422 million). Capital expenditures were EUR 561 million (prior year: EUR 501 million). The capex ratio for the first half of 2016, i.e. capital expenditures as a percentage of consolidated revenue, amounted to 8.4 percent (prior year: 7.5 percent). Most capital expenditures were made in the Europe and Greater China regions. “Based on our good operating results, free cash flow increased considerably over the prior year, rising to EUR 216 million despite our high level of capital expenditures,” explained CFO Dr. Ulrich Hauck. In the prior year, free cash flow amounted to EUR 72 million and was affected by one-time outflows related to the early redemption of bonds.

At EUR 4.9 billion, net financial debt remained unchanged from year-end. The ratio of net debt to EBITDA before special items improved to 2.0 (December 31, 2015: 2.1).

The Schaeffler Group created more than 1,000 new jobs worldwide during the first half of 2016, employing a total of approximately 85,200 staff as at June 30, 2016 (year-end 2015: approximately 84,200).

The company confirmed its guidance for 2016 as a whole. „We are confident that we are well on our way to meeting our annual targets for 2016,” Rosenfeld said. For 2016 as a whole, the Schaeffler Group expects revenue growth of 3 to 5 percent at constant currency, an EBIT margin of 12 to 13 percent before special items, and free cash flow of approximately EUR 600 million.

*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.*

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Facts and figures first half 2016

CONTACT:

**Christoph Beumelburg**  
**Senior Vice President Communications, Marketing and Investor Relations**  
Schaeffler AG  
Industriestr. 1-3  
91074 Herzogenaurach  
Tel.: +49 9132 82-5000  
E-Mail: [presse@schaeffler.com](mailto:presse@schaeffler.com)