

Press Release

Results as at September 30, 2016

Schaeffler: Strong Automotive performance drives growth

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- **Revenue increased to approximately EUR 10 billion, up 2.7 % at constant currency**
- **EBIT margin improved to 12.8 %**
- **Net income increased by 29 % to EUR 672 million**
- **Strong Automotive performance, Industrial still declining**
- **Outlook for 2016 confirmed**

Global automotive and industrial supplier Schaeffler continued its growth trend in the 3rd quarter of 2016 thanks to its strong Automotive business. Its **revenue** for the first nine months of 2016 grew to approximately EUR 10.0 billion (prior year: approximately EUR 10.0 billion). At constant currency, this represents a growth rate of 2.7 percent. The company's EBIT margin improved by 0.2 percentage points to 12.8 percent (prior year: 12.6 percent), while net income was up 29 percent at EUR 672 million (prior year: EUR 521 million). The main driver of this growth was the strong Automotive business, while the Industrial business continued to decline, facing a weak market environment.

"Thanks to our strong Automotive business, the Schaeffler Group has once again developed well in the 3rd quarter of 2016. We have continued to grow profitably despite a challenging market environment," Klaus Rosenfeld, CEO of Schaeffler AG, said on Wednesday during the presentation of the results for the first nine months of 2016.

The Automotive business reported revenue growth for the first nine months of 2016 of 5.3 percent at constant currency compared to the prior year (+2.6 percent including the impact of currency translation), once more outpacing the increase in production volumes of passenger cars and light commercial vehicles (+3.4 percent). From a regional perspective, strong demand in Greater China and Asia/Pacific were the main contributors to this growth.

The market environment of the company's Industrial business continued to prove challenging. Revenue for the first nine months of 2016 declined 5.3 percent at constant currency (-7.1 percent including the impact of currency translation). While the wind, two wheelers, and aerospace sectors were able to grow their revenue,

revenue was adversely affected by low levels of demand, primarily in the raw materials and rail sectors.

Revenue trends varied across regions. Revenue in the Europe region was up 1.7 percent at constant currency (+0.5 percent including the impact of currency translation). Driven by the buoyant Automotive business, revenue in the Greater China and Asia/Pacific regions increased significantly at constant currency, rising by 10.5 percent (+5.5 percent including the impact of currency translation) and 4.4 percent (+2.9 percent including the impact of currency translation), respectively. The Americas region reported a slight revenue decline of 0.4 percent at constant currency (-5.0 percent including the impact of currency translation).

EBIT (earnings before interest and taxes) rose slightly by 2.0 percent to EUR 1,276 million compared to the prior year. The EBIT margin increased from 12.6 percent to 12.8 percent. The Automotive business generated an EBIT margin of 14.3 percent in the first nine months of 2016 (prior year: 13.4 percent). The Industrial EBIT margin for the same period was 7.6 percent (prior year: 10.0 percent).

Financial result improved from minus EUR 462 million to minus EUR 320 million. These developments resulted in **net income** of EUR 672 million (prior year: EUR 521 million).

The Schaeffler Group increased its cash flows from operating activities to EUR 1,305 million in the first nine months of 2016 (prior year: EUR 912 million). The company made capital expenditures of EUR 829 million (prior year: EUR 743 million). The capex ratio, i.e. capital expenditures as a percentage of consolidated revenue, amounted to 8.3 percent (prior year: 7.5 percent). "We mainly invested in technical equipment and machinery in the Europe and Greater China regions. Despite the high level of capital expenditures, our **free cash flow** increased by EUR 287 million to EUR 479 million," explained CFO Dr. Ulrich Hauck.

The company was able to significantly lower its net financial debt by EUR 2.0 billion to EUR 2.9 billion (December 31, 2015: EUR 4.9 billion) as at September 30, 2016. This decrease has improved the ratio of net debt to EBITDA before special items to 1.2 (December 31, 2015: 2.1). The reduction in net financial debt resulted primarily from the prepayment of a loan receivable from IHO Holding of approximately EUR 1.7 billion.

The company has confirmed its **guidance** for **2016** as a whole. "We still expect to meet our annual targets for 2016 despite the different trends in our Automotive and Industrial divisions," Rosenfeld said. For 2016 as a whole, the Schaeffler Group

is anticipating 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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