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Press and IR Release

Schaeffler reports strong third quarter despite challenging market conditions

HERZOGENAURACH, *2023-11-07*.

- Schaeffler Group increases revenue for the first nine months of 2023 by 6.6 percent at constant currency to 12.3 billion euros (prior year: 11.8 billion euros), revenue for the third quarter increases by 0.5 percent at constant currency
- EBIT margin before special items for the reporting period at 7.9 percent (prior year: 6.9 percent), third-quarter EBIT margin before special items at 8.4 percent
- Automotive Technologies and Automotive Aftermarket considerably improve earnings
- Improvement in free cash flow before cash in- and outflows for M&A activities to 211 million euros in the reporting period (prior year: 35 million euros)
- Overall Group guidance confirmed

Schaeffler AG published its results for the first nine months of 2023. The Schaeffler Group's revenue for the reporting period amounted to 12,270 million euros (prior year: 11,790 million euros). The 6.6 percent constant-currency increase in revenue compared to the prior-year period was especially attributable to higher volumes at all divisions. A favorable impact from sales prices in the three divisions further bolstered the revenue trend. Revenue for the third quarter of 2023 rose by 0.5 percent at constant currency to 4,062 million euros.

In the Automotive Technologies division, the 5.4 percent constant-currency revenue growth in the first nine months of the year resulted mainly from a market-driven increase in volumes at the Engine & Transmission Systems, Bearings, and Chassis Systems business divisions. The 14.5 percent constant-currency rise in revenue at the Automotive Aftermarket division was primarily driven by considerable volume growth in the Europe region. In the Industrial division, the constant-currency revenue growth of 5.7 percent in the reporting period was largely attributable to the contribution made by the Ewellix Group, which was acquired at the beginning of the year.

The Europe region saw the highest constant-currency rise in revenue of 11.1 percent. Asia/Pacific region revenue was up 8.7 percent at constant currency, while revenue in the Americas and Greater China regions was 3.7 percent and 0.2 percent above the prior-year level, respectively, at constant currency.

The Schaeffler Group generated 965 million euros (prior year: 813 million euros) in EBIT before special items in the first nine months, representing an EBIT margin before special items of 7.9 percent (prior year: 6.9 percent) and an improvement in EBIT before special items of approximately 19 percent year on year. The increase in EBIT margin before special items was largely attributable to the favorable impact of volumes and sales prices. The EBIT margin before special items for the third quarter was 8.4 percent.

Key financials of the Schaeffler Group

	01/01-09/30			3rd quarter		
in € millions	2023	2022	Change in %	2023	2022	Change in %
Revenue	12,270	11,790	4.1	4,062	4,242	-4.2
• at constant currency			6.6			0.5
EBIT before special items [1]	965	813	18.7	340	355	-4.1
• in % of revenue	7.9	6.9	-	8.4	8.4	-
Free cash flow [2]	211	35	-	182	240	-

	09/30/2023	12/31/2022	Change in %
Shareholders' equity [3]	4,263	4,141	2.9
Net financial debt	3,072	2,235	37.4
Net financial debt to EBITDA ratio [4] before special items [1]	1.4	1.1	
Employees	83,600	82,773	1.0

1 Please refer to the interim statement 9M 2023, pg. 9, for the definition of special items.

2 Before cash in- and outflows for M&A activities.

3 Including non-controlling interests.

4 Net financial debt to EBITDA ratio before special items (LTM).

Automotive Technologies – EBIT margin before special items for the first nine months of 4.8 percent

The Automotive Technologies division generated 7,280 million euros in revenue in the first nine months (prior year: 7,068 million euros). The constant-currency revenue growth of 5.4 percent in the reporting period resulted primarily from a market-driven increase in volumes. Sales prices had an additional slightly favorable impact on revenue. Revenue growth at constant currency was less than the trend in global automobile production overall.

At 11.3 percent, the Europe region reported the highest constant-currency growth in the reporting period. In the Asia/Pacific region, revenue rose by 9.7 percent at constant currency, while the Greater China and Americas regions recorded year-on-year declines in revenue of 0.1 percent and 0.5 percent, respectively, at constant currency. E-Mobility order intake for the first nine months was 2.9 billion euros, already at the upper end of the 2 to 3 billion euro range targeted for the full year.

The division generated 349 million euros (prior year: 214 million euros) in EBIT before special items in the first nine months. The EBIT margin before special items for the same period was 4.8 percent, ahead of the 3.0 percent reported in the prior year. The EBIT margin before special items for the third quarter was 5.8 percent. The increase in EBIT margin before special items in the first nine months of 2023 was mainly attributable to the impact of volumes and sales prices.

Automotive Aftermarket – constant currency revenue growth at 14.5 percent and continued strong EBIT margin

The Automotive Aftermarket division generated revenue of 1,716 million euros (prior year: 1,518 million euros) in the reporting period, representing constant-currency revenue growth of 14.5 percent year on year. The constant-currency increase in revenue was largely the result of considerably higher volumes. The impact of sales prices contributed to growth as well. Rises in procurement costs were passed on to the market.

The constant-currency revenue growth was driven by all regions. The Europe region, which generates the highest revenue, saw a 13.9 percent rise in revenue at constant currency. In the Greater China region, revenue was up 24.7 percent year on year at constant currency. In the Asia/Pacific region, revenue increased by 14.2 percent at constant currency, while the Americas region reported constant-currency revenue growth of 13.3 percent.

EBIT before special items amounted to 290 million euros (prior year: 202 million euros), which represents an EBIT margin before special items of 16.9 percent (prior year: 13.3 percent). The EBIT margin before special items for the third quarter was 16.7 percent. The increase in EBIT margin before special items was predominantly the result of a higher gross profit margin due to a favorable revenue mix during the reporting period as well as adjustments to sales prices.

Industrial – market-driven decline in EBIT margin before special items

The Industrial division generated total revenue of 3,274 million euros in the first nine months of the year (prior year: 3,205 million euros). The constant-currency revenue growth of 5.7 percent was primarily attributable to the contribution made by the Ewellix Group, which was acquired at the beginning of the year. Especially a favorable impact of sales prices contributed to growth as well.

At 11.5 percent, the Americas region generated the largest constant-currency increase in revenue in the first nine months. Revenue in the Europe region was up 8.6 percent at constant currency, while the Asia/Pacific region reported a constant-currency rise in revenue of 5.5 percent. In the Greater China region, revenue

decreased by 1.9 percent year on year at constant currency, as the revenue trend was adversely affected by the increasingly weaker market environment.

The Industrial division generated 326 million euros (prior year: 397 million euros) in EBIT before special items in the first nine months, representing an EBIT margin before special items of 9.9 percent (prior year: 12.4 percent). The EBIT margin before special items for the third quarter was 9.7 percent. The EBIT margin was primarily adversely affected by the impact of the market trend in the Greater China region.

Key financials by division

	01/01-09/30			3rd quarter		
in € millions	2023	2022 [1]	Change in %	2023	2022	Change in %
Automotive Technologies						
Revenue	7,280	7,068	3.0	2,440	2,554	-4.5
• at constant currency			5.4			0.2
EBIT before special items [2]	349	214	62.8	142	122	16.0
• in % of revenue	4.8	3.0	-	5.8	4.8	-
Automotive Aftermarket						
Revenue	1,716	1,518	13.0	584	548	6.7
• at constant currency			14.5			8.8
EBIT before special items [2]	290	202	44.0	98	73	33.4
• in % of revenue	16.9	13.3	-	16.7	13.4	-
Industrial						
Revenue	3,274	3,205	2.2	1,038	1,140	-9.0
• at constant currency			5.7			-3.0
EBIT before special items [2]	326	397	-17.9	100	159	-36.9
• in % of revenue	9.9	12.4	-	9.7	13.9	-

1 Prior-year information presented based on 2023 segment structure.

2 Please refer to the interim statement 9M 2023, pg. 9, for the definition of special items.

Free cash flow – significant improvement year on year

Free cash flow before cash in- and outflows for M&A activities was a strong 182 million euros in the third quarter of 2023. As a result, the Schaeffler Group had a strong increase in free cash flow before cash in- and outflows for M&A activities of 211 million euros in the reporting period (prior year: 35 million euros). The increase resulted especially from working capital expanding less extensively than in the prior year. At the same time, investing activities were above the prior-year period.

“With increases in profitability and free cash flow, the third quarter once again underscores our financial strength enabling us to rapidly and successfully focus our business areas on the future,” says Claus Bauer, CFO of Schaeffler AG.

Net income attributable to shareholders of the parent company amounted to 417 million euros in the reporting period (prior year: 475 million euros). Net income before special items rose to 501 million euros in the first nine months of 2023 (prior year: 464 million euros). Earnings per common non-voting share were 0.63 euros (prior year: 0.72 euros). The group employed a workforce of 83,600 as at September 30, 2023.

Overall Group guidance confirmed

At its meeting on October 23, 2023, the Board of Managing Directors of Schaeffler AG confirmed the outlook for the Group as a whole and for the Automotive Technologies and Automotive Aftermarket divisions unchanged as issued on July 25, 2023. The company now expects the Industrial division to generate constant-currency revenue growth of 4.5 to 5.5 percent and continues to anticipate an unchanged EBIT margin before special items of between 9 and 11 percent in 2023.

Guidance	Schaeffler Group	Autom. Technologies	Autom. Aftermarket	Industrial
Revenue growth[1]	5 to 8% (unchanged)	moderate revenue growth; 0 to 3 %-age points above LVP growth[2] (unchanged)	10 to 12% (unchanged)	4.5 to 5.5% (previously 6 to 8%)
EBIT margin[3]	6 to 8% (unchanged)	3 to 5% (unchanged)	14 to 16% (unchanged)	9 to 11% (unchanged)
Free cash flow[4]	EUR 300 to 400 million (unchanged)			

Current market assumptions for 2023

- Automotive Technologies: LVP growth[2] of 5 to 7 percent to up to 88.1 million units
- Automotive Aftermarket: Growth in global vehicle population slightly less than in the prior year, with a slight rise in average age (2022: growth of 2.3 percent, average age: 10.7 years)
- Industrial: Slight increase in relevant industrial production

“The Schaeffler Group has demonstrated its competitiveness in the current fiscal year and presented encouraging figures,” says Klaus Rosenfeld, CEO of Schaeffler AG. “We are continuing our successful trajectory by consistently implementing our Roadmap 2025. All divisions achieved good results in their markets. Our diversified position has once again ensured our growth, profitability, and value creation.”

You can find press photos of the Board of Managing Directors here:
www.schaeffler.com/en/executive-board

1 Constant-currency revenue growth compared to prior year.
2 LVP growth: global growth in production of passenger cars and light commercial vehicles
3 before special items
4 before cash in- and outflows for M&A activities
5 Includes content supplied by S&P Global Mobility© [IHS Markit Light Vehicle Production Forecast (Base), October 2023].
6 Includes content supplied by S&P Global Mobility© [IHS Markit Vehicles In Operation (VIO) Forecast, July 2023].

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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Schaeffler Group – We pioneer motion: The Schaeffler Group has been driving forward groundbreaking inventions and developments in the field of motion technology for 80 years. With innovative technologies, products, and services for electric mobility, CO_2-efficient drives, chassis solutions and renewable energies, the company is a reliable partner for making motion more efficient, intelligent, and sustainable – over the entire life cycle. Schaeffler describes its comprehensive range of products and services by means of eight product families: From bearing solutions and all types of linear guidance systems through to repair and monitoring services. Schaeffler is with around 110,000 employees and more than 250 locations in 55 countries, one of the world's largest family-owned companies and one of Germany's most innovative companies.

Schaeffler Headquarters Herzogenaurach, Germany Photo: Schaeffler (Dominik Obertreis)

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