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Press and IR Release

2nd quarter supported by strong Industrial business – Weak market environment for Automotive OEM triggers guidance adjustment

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- **Q2 2019 with improved EBIT margin before special items in spite of decrease in revenues (FX-adjusted)**
- **Industrial division strong, Automotive OEM under pressure due to challenging market conditions**
- **Positive free cash flow (before M&A activities) in Q2, measures to improve capital efficiency gain traction**
- **Group and divisional guidance for 2019 adjusted**

The global automotive and industrial supplier Schaeffler today published preliminary results for the second quarter 2019 and announced an adjustment of its 2019 full-year guidance for the Schaeffler Group and its divisions.

Schaeffler Group now expects global automobile production to decline by 4 percent for 2019. On February 19, 2019 Schaeffler Group had anticipated a decline of 1 percent. This deterioration in market conditions for the group's Automotive OEM division, in particular in China and Europe, since the beginning of the year and the associated volume effects require an adjustment of the 2019 full-year guidance. Moreover, lower demand from certain key accounts in the Automotive Aftermarket let to a downward revision of the divisional sales guidance, while higher than expected demand in certain sectors in the Industrial division led to an upward revision.

"The market environment for the rest of the year continues to be characterized by uncertainty," commented Schaeffler AG CEO Klaus Rosenfeld. "At the start of the year, we were anticipating a market decline of 1 percent for the automotive business. Today, we are expecting a market decline of 4 percent. This means that we need to adjust our growth and earnings guidance. Nevertheless, we will strive to achieve the upper end of the new margin guidance at group level."

Schaeffler Group results for 2nd quarter of 2019

Based on the preliminary results, the Schaeffler Group generated second-quarter revenue of approximately EUR 3,604 million (prior year: EUR 3,641 million), resulting in earnings before financial result, equity-accounted investments and income taxes (EBIT) of EUR 253 million (prior year: EUR 382 million). In constant currency terms, the group's revenue fell by 2.0 percent in the second quarter. The group's EBIT before special items in the second quarter of 2019 was EUR 284 million (prior year: EUR 404 million), corresponding to an EBIT margin before special items of 7.9 percent (prior year: 11.1 percent; first quarter 2019: 7.5 percent). The Schaeffler Group's second-quarter free cash flow before inflows and outflows for M&A activities was EUR 6 million (prior year: minus EUR 5 million; first quarter 2019: minus EUR 235 million). The group's second-quarter capital expenditures (capex) for property, plant and equipment and intangible assets totaled approximately EUR 221 million (prior year: EUR 289 million), corresponding to a capex ratio (capital expenditures as a proportion of consolidated revenue) of 6.1 percent (prior year: 7.9 percent; first quarter 2019: 10.3 percent).

"Despite the challenging market environment with lower than expected sales, we have improved our EBIT-margin compared to the previous quarter. Moreover, the positive second quarter free cash flow and the reduction in capex to sales ratio show that our measures to optimize capital efficiency are beginning to have an impact", Klaus Rosenfeld said.

Results for 2nd quarter of 2019

The second-quarter and six-month results for the group's three divisions are as follows:

Table Division (provisional result)

Despite the challenging market environment, the Automotive OEM division outperformed the global automotive production market by 3.3 percent in the second quarter. This was due mainly to the division's positive performance in the Americas region. The second quarter also saw the group's E-Mobility business division secure a contract valued at EUR 1.1 billion from a global premium manufacturer related to the production of electric motors. In addition, the division's RACE efficiency program, launched at the start of the year, is currently in its first phase of implementation.

The Automotive Aftermarket division's performance was affected by weak demand in the Europe region, due in part to inventory corrections on the part of certain key accounts in both the independent aftermarket and OES segments. Despite the decrease in revenue, the division still achieved a second-quarter EBIT margin before special items of 15.7 percent, which is in the range of the full-year guidance.

The Industrial division once again achieved solid revenue and EBIT growth in all four regions. This result was driven mainly by the Greater China region, where the division achieved second-quarter revenue growth of 23 percent in constant currency terms. Growth was especially strong in the wind, raw materials und railway sector clusters.

“We are moving ahead with the transformation of our Automotive OEM business,” commented Klaus Rosenfeld. “As part of that, we are updating our product and service offering to make it more future-focused. The new billion-euro order secured by our E-Mobility business division shows that we are on the right track here. At the same time, we continue to address structural challenges within the division.”

The Schaeffler Group has initiated similar efficiency programs in its Industrial and Automotive Aftermarket divisions. The group will be providing details of all three programs at this year’s Capital Markets Day on September 11.

New guidance for 2019
Based on the preliminary figures, the Schaeffler Group now anticipates revenue growth of minus 1 to 1 percent (previously 1 to 3 percent) in constant currency terms for 2019, an EBIT margin before special items of 7 to 8 percent (previously 8 to 9 percent), and a free cash flow before inflows and outflows for M&A activities of EUR 350 to 400 million (previously approximately EUR 400 million). The guidance for each of the three divisions now is as follows:

Division (guidance)

The Schaeffler Group will be publishing its second quarter 2019 interim report, as planned, on August 6, 2019. A call will be held with analysts and investors at 10.00am CET.

]]><fo:inline font-weight="bold" font-family="NotoSansBold"><![CDATA[Forward-looking statements and projections]]></fo:inline><![CDATA[]]><fo:block space-after.optimum="0px"/><![CDATA[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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