

Press and IR release

Schaeffler confirms full-year guidance

HERZOGENAURACH, 2019-05-08.

- **Revenue increased slightly in 1st quarter despite persistently difficult market environment (up 0.4 percent at constant currency)**
- **Industrial division continues growth trend, Automotive divisions down slightly**
- **EBIT margin before special items of 7.5 percent below prior year (11.0 percent) but ahead of 4th quarter 2018 (6.5 percent)**
- **Free cash flow before cash in- and outflows for M&A activities at minus 235 million euros (prior year: minus 69 million euros)**
- **Transformation progressing, XTRONIC GmbH acquired and Plymouth (UK) plant sold**

Global automotive and industrial supplier Schaeffler announced its quarterly results for the first three months of 2019 today. The Schaeffler Group generated approximately 3.6 billion euros in revenue in the first quarter of 2019. At constant currency, revenue increased by 0.4 percent from the relevant prior year period. While revenue declined slightly at constant currency in both Automotive divisions – Automotive OEM by 1.7 percent and Automotive Aftermarket by 1.1 percent – these declines were slightly more than offset by growth in Industrial division revenue of 6.9 percent at constant currency. The Schaeffler Group's constant currency revenue growth was highest in the Americas region, which reported an 11.9 percent increase, while revenue continued to decline in the Greater China region, dropping by 8.0 percent. The decrease in the Europe region was 1.5 percent. In the Asia/Pacific region, the constant currency growth rate amounted to 2.8 percent.

On the basis of this performance, the Schaeffler Group generated earnings before financial result and income taxes (EBIT) of 230 million euros (prior year: 391 million euros) during the first three months. EBIT was adversely affected by 42 million euros in special items. These included 55 million euros in restructuring expenses related to the efficiency program RACE in the Automotive OEM division. The refund of a penalty of 13 million euros paid in 2015 in the Industrial division in connection with antitrust proceedings in Korea had an offsetting effect on EBIT. This brought EBIT before special items to 272 million euros (prior year: 391 million euros), representing an EBIT margin before special items of 7.5 percent (prior year: 11.1 percent). The decline in EBIT before special items is primarily attributable to the lower gross margin and the increase in selling and administrative expenses.

Free cash flow before cash in- and outflows for M&A activities fell short of the prior year quarter due to reduced earnings quality and strategic capital expenditures. It amounted to minus 235 million euros (prior year: minus 69 million euros). In light of this, the capex ratio was 10.3 percent of revenue (prior year: 8.6 percent). Based on this performance, net income totaled 137 million euros (prior year: 238 million euros), representing earnings per share of 0.21 euros (prior year: 0.36 euros) for the first quarter of 2019.

Automotive OEM outperforms market despite lower revenue

Automotive OEM division revenue increased slightly from the prior year level to approximately 2,286 million euros (prior year: 2,280 million euros) during the reporting period; at constant currency, however, it declined by 1.7 percent. In a persistently challenging environment, the Automotive OEM division significantly outperformed global automobile production – which fell by 6.7 percent over the same period – by approximately 5 percent. Of the four Automotive OEM business divisions, the E-Mobility and Chassis Systems business divisions contributed constant currency growth rates of 33.9 percent and 3.6 percent, respectively. Growth on the same basis declined by 3.4 percent and 6.0 percent, respectively, in the Engine Systems and Transmission Systems business divisions. At 12.4 percent, the constant currency growth rate was particularly high in the Americas region, followed by 2.4 percent in the Asia/Pacific region. In the Greater China region, revenue declined significantly by 14.5 percent at constant currency, partly due to the weakness in the total market and customers' temporary reluctance to buy; factors contributing to the 3.3 percent decline in Europe included the persistent repercussions of the new emissions testing methodology WLTP.

Based on this performance, the Automotive OEM division generated EBIT before special items of 113 million euros (prior year: 218 million euros). The division's EBIT margin before special items for the first three months amounted to 5.0 percent (prior year: 9.6 percent). The deterioration was mainly driven by the gross margin declining by 3.1 percentage points to 21.1 percent (prior year: 24.2 percent), primarily due to the adverse impact of volumes on fixed costs, especially in China, and a less profitable revenue mix. In addition, the division could not yet increase production efficiency sufficiently to offset the adverse impact of pricing, personnel, and materials costs.

The Schaeffler Group continues to expect its Automotive OEM division to generate revenue growth of 1 to 3 percent at constant currency and an EBIT margin of between 6 and 7 percent before special items for the full year 2019.

Automotive Aftermarket revenue down slightly

The Automotive Aftermarket division reported a slight drop in first quarter revenue of 1.1 percent at constant currency to 441 million euros (prior year: 447 million

euros) in a challenging environment. The decrease is mainly attributable to lower revenue in the Europe region. The decline in revenue there was mainly based on lower revenue with a few major customers, driven in part by increasing consolidation in the Western European vehicle aftermarket, and amounted to 4.2 percent at constant currency. The decline was not fully offset by the significant revenue increase of 14.1 percent in the Americas region. This increase resulted primarily from higher requirements in the Independent Aftermarket (IAM) in South America. The impact of the Greater China and Asia/Pacific regions on the Automotive Aftermarket division's revenue trend was insignificant.

These developments resulted in EBIT before special items of 64 million euros (prior year: 81 million euros), representing an EBIT margin before special items of 14.4 percent (prior year: 18.1 percent). The decrease is primarily attributable to the reduction in gross margin by 1.9 percentage points to 33.7 percent (prior year: 35.6 percent) and higher selling and administrative expenses.

The group expects the Automotive Aftermarket division to generate revenue growth of 1 to 3 percent at constant currency and an EBIT margin before special items of 15 to 16 percent for the full year 2019.

Industrial division continues growth trend

While global industrial production grew less dynamically, the Industrial division expanded its revenue to 895 million euros (prior year: 824 million euros). At constant currency, this represents a growth rate of 6.9 percent. This growth was largely driven by the Wind and Raw Materials sector clusters as well as by Industrial Distribution. All regions contributed to the increase in revenue. The Greater China region reported the highest constant currency growth rate of 14.1 percent, followed by 9.1 percent in the Americas region, 6.3 percent in the Asia/Pacific region, and 4.4 percent in the Europe region.

EBIT before special items of 95 million euros was slightly ahead of the prior year amount (92 million euros). The division's EBIT margin before special items of 10.6 percent was slightly below prior year (11.2 percent). The decline was mainly driven by the disproportionately high increase in selling and administrative expenses which offset the improvement in gross margin to 31.6 percent (prior year: 30.2 percent).

For the Industrial division as well, the group confirms its target for 2019 of increasing revenue by between 1 and 3 percent at constant currency and generating an EBIT margin before special items of 10 to 11 percent.

High capital expenditures in 1st quarter, number of employees down slightly

Free cash flow before cash in- and outflows for M&A activities of minus 235 million euros was affected by earnings quality and strategic capital expenditures in the

quarter just ended. While cash outflows related to the increase in inventories declined from the prior year period, capital expenditures amounted to 373 million euros (prior year: 306 million euros), representing a considerable increase in the capex ratio to 10.3 percent (prior year: 8.6 percent).

Dietmar Heinrich, CFO of Schaeffler AG, said: "This temporary increase, which is partly due to capital expenditures on the AKO (Aftermarket Kitting Operation), will be offset over the remainder of the year, enabling us to meet our free cash flow target for 2019."

Given slightly higher net financial debt, the gearing ratio, i.e. the ratio of net financial debt to shareholders' equity, deteriorated slightly to 88.5 percent (December 31, 2018: 83.2 percent).

The headcount decreased by 641 or 0.7 percent from the end of December 2018 to 91,837 as at the end of March 2019.

Transformation progressing, outlook for 2019 confirmed

The transformation of the Schaeffler Group initiated under the program Agenda 4 plus One is progressing. Implementation of the program is now 60 percent complete as at the end of April 2019. Complementing the program, the Schaeffler Group acquired XTRONIC GmbH located in Böblingen in early May of 2019 in order to expand its expertise in software and electronics, especially with a view to the Space Drive drive-by-wire technology. In addition, the plant in Plymouth was sold to a strategic investor as a step towards optimizing the company's European footprint. Please refer to the press and IR releases dated May 7, 2019, for details of both transactions.

The Schaeffler Group confirms its guidance for 2019, anticipating revenue growth of 1 to 3 percent at constant currency, an EBIT margin before special items of 8 to 9 percent, and free cash flow before cash in- and outflows for M&A activities of approximately 400 million euros.

Klaus Rosenfeld, CEO of Schaeffler AG, stated: "The results of the 1st quarter reflect the difficult market and competitive conditions, especially in the Automotive business. During the remainder of the year, we will be very disciplined in managing our costs and our capital and will consistently press ahead with the transformation of the Schaeffler Group. Visibility remains low. We anticipate a trend toward improving market conditions in the Automotive business in the 2nd half of the year and expect to achieve our full-year guidance for 2019 on that basis."

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.

Schaeffler Group – We pioneer motion The Schaeffler Group has been driving forward groundbreaking inventions and developments in the field of motion technology for over 75 years. With innovative technologies, products, and services for electric mobility, CO₂-efficient drives, chassis solutions, Industry 4.0, digitalization, and renewable energies, the company is a reliable partner for making motion more efficient, intelligent, and sustainable – over the entire life cycle. The Motion Technology Company manufactures high-precision components and systems for drive train and chassis applications as well as rolling and plain bearing solutions for a large number of industrial applications. The Schaeffler Group generated sales of EUR 16.3 billion in 2023. With around 83,400 employees, Schaeffler is one of the world's largest family-owned companies and one of Germany's most innovative companies.

CONTACT:

Thorsten Möllmann
Senior Vice President Global Communications & Branding
Schaeffler AG
Herzogenaurach
Germany
Tel. +49 9132 82-5000
E-Mail: presse@schaeffler.com

Dr. Axel Lüdeke
Head of Business and Financial Communications & PR
Schaeffler AG
Herzogenaurach
Germany
Tel. +49 9132 82-5000
E-Mail: presse@schaeffler.com

Renata Casaro
Head of Investor Relations
Schaeffler AG
Herzogenaurach
Germany
Tel. +49 9132 82-4440
E-Mail: ir@schaeffler.com

Jens Briemle
Investor Relations
Schaeffler AG
Herzogenaurach
Germany
Tel. +49 9132 82-4440
E-Mail: ir@schaeffler.com