

IR Release

Schaeffler generates record revenue in the first half of 2014

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- Revenue at new record high of approximately EUR 6.0 bn; 9.6 % growth at constant currency
- Earnings quality with EBIT margin above 13 % on high level
- Free cash flow adversely affected by special items
- Capital structure further improved

The international technology group Schaeffler increased its revenue to a new record high of approximately EUR 6.0 bn in the first half of 2014. Revenue grew 6.7 % from the corresponding prior year period. Excluding the impact of currency translation, the Group's operational revenue growth was 9.6 %.

"Our Automotive business again performed considerably above market in the first half of 2014, making it a key driver of our revenue growth," said Klaus Rosenfeld, CEO of Schaeffler AG. Automotive division revenue increased by 8.9 % to approximately EUR 4.4 bn. At constant currency, the division achieved a growth rate of 11.7 %, again significantly higher than the growth in global vehicle production. The Group's Industrial division reported a 0.9 % increase in revenue to approximately EUR 1.6 bn in the first half of 2014. On an FX adjusted basis, revenue at the Industrial division revenue rose by 4.3 %.

The Schaeffler Group's highest growth rate, 25.0 % compared to the first half of 2013, was generated by its Greater China region, followed by the Asia/Pacific region, where revenue increased by 9.1 %. The Europe and Americas regions experienced revenue growth of 5.2 and 1.2 %, respectively, compared to the first half of 2013. Within Europe, particularly the Southern European countries Italy and Spain reported positive revenue trends.

The Schaeffler Group's EBIT for the first half of 2014 increased by EUR 63 m to EUR 787 m (prior year: EUR 724 m) from the prior year period, raising the Group's EBIT margin to 13.1 % (prior year: 12.9 %). EBIT includes the reversal of EUR 9.5 m of the provision for the EU antitrust proceedings in the first quarter of 2014 and EUR 11 m in compensation expense incurred in the second quarter of 2014. Excluding both of

these special items, adjusted EBIT for the first half was EUR 789 m, corresponding to an adjusted EBIT margin of 13.2 %. Net income improved by EUR 13 m to EUR 574 m (prior year: EUR 561 m).

In May 2014, the Schaeffler Group successfully completed another refinancing transaction of EUR 3.5 bn of its debt. This transaction reduced Schaeffler's average borrowing cost from approximately 5.7 % to approximately 4.6 %.

Cash flows from operating activities for the first six months of 2014 amounted to EUR 117 m (prior year: EUR 606 m), including a total of EUR 129 m in prepayment penalties related to the early redemption of bonds and one-off transaction costs as well as EUR 29 m in accrued interest. The Group also paid the EU antitrust penalty of EUR 371 m in the second quarter of 2014. Capital expenditures increased by EUR 69 m to EUR 298 m (prior year: EUR 229 m). Schaeffler primarily invested in new machinery concepts to strengthen its innovative ability and in the expansion of its production capacity.

The above mentioned special items totaling EUR 528 m and the increase in capital expenditures adversely impacted free cash flow, which amounted to EUR 179 m for the first half of 2014 (prior year: EUR 386 m). The dividend paid by Continental AG to Schaeffler AG during the first half of 2014 amounted to EUR 168 m.

The Group's net external financial debt (financial debt less cash excluding shareholder loans) increased by EUR 308 m to EUR 5.8 bn compared to December 31, 2013. As a result, the debt to EBITDA ratio, defined as the ratio of net financial debt to adjusted EBITDA, amounted to 2.7 at June 30, 2014 (Dec 31, 2013: 2.6).

For the first time, the Schaeffler Group had over 80,000 employees worldwide at the end of June 2014, reporting a headcount of 80,373 – 1,814 more than at the end of December 2013. New skilled personnel was primarily recruited in production and production-related areas – mainly in the Europe and Greater China regions.

Despite the emerging geopolitical and market related uncertainties, the Schaeffler Group confirms its guidance for the year 2014 as a whole and continues to expect to generate FX adjusted revenue growth of more than 7 %. The Group's guidance regarding its EBIT margin remains at 12 to 13 %. Klaus Rosenfeld commented: "Following the successful first half, we are confident that we will achieve our ambitious targets for the year 2014. With our strategic focus on 'Mobility for tomorrow' and our initiative program 'One Schaeffler', we are extremely well positioned for further profitable growth in the future."

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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.

Interim Financial Report H1 2014

Key Figures H1 2014

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