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Autoneum: Growth path continued with new record highs

In the first half of 2016, Autoneum once again increased sales and profitability in a subdued market environment and in doing so confirmed its global market leadership in acoustic and thermal management. With a rise in sales of 10.3% in local currencies, Autoneum significantly exceeded the 2.4% growth of global automobile production in the first six months of 2016. Sales in Swiss francs rose by 7.6% from CHF 1'014.1 million to CHF 1'091.3 million. EBIT before special effects increased to CHF 89.9 million (CHF 123.1 million including special effects). The EBIT margin before special effects improved by 0.6 percentage points year on year and hit a new record high of 8.2%. Net profit grew from CHF 48.5 million in the first six months of 2015 to CHF 60.6 million before special effects, and to CHF 81.4 million including special effects.

Autoneum continued to pursue its growth path in the first half of 2016 and achieved new record highs in its financial performance. The company raised its net sales in local currencies by 10.3% and in doing so significantly exceeded the growth of global automobile production, which only went up by 2.4% to 45.9 million light vehicles. Sales in Swiss francs rose by 7.6% from CHF 1'014.1 million to CHF 1'091.3 million. While automobile production in Europe, North America and Asia increased compared to the first half of 2015, year-on-year production volumes continued to fall sharply in the SAMEA market region (South America, Middle East and Africa). Nevertheless, all four Business Groups (BG) recorded organic sales growth that in some cases lay considerably above the market level in the first six months of 2016. The decisive factors for this were high production volumes for newly launched models in Europe, the supply of high-selling models in North America and production for Japanese vehicle manufacturers in all regions.

Autoneum's operational success is not only confirmed by the growth in sales in the first half of 2016 but is also significantly reflected by the further improvement of profitability. The decisive factors for this were the high production capacity utilization in Europe and North America, increases in productivity across all regions and lower raw material prices in Europe and Asia. EBITDA before special effects grew to CHF 123.8 million in the first half of 2016 (prior-year period: CHF 108.0 million), which is equivalent to an EBITDA margin of 11.3%. Including the gain of CHF 33.2 million from the disposal of the UGN business in Chicago Heights, Illinois, USA, Autoneum recorded an EBITDA margin of 14.4%. EBIT before special effects improved significantly from CHF 77.6 million in the first half of 2015 to CHF 89.9 million. The EBIT margin thus climbed by 0.6 percentage points on the prior-year period to 8.2% and exceeded the 8% mark for the first time. The result of the prior-year period was burdened by the payment to the German Federal Cartel Office that caused the EBIT margin after special effects to fall to 4.5%.

In the first half of 2016, Autoneum reached a net profit of CHF 60.6 million before special effects, equaling an increase of 25.0% (prior-year period: CHF 48.5 million). This corresponds to an improvement in the profit margin of 0.8 percentage points to 5.6% (prior-year period: 4.8%). Taking into account special effects, net profit grew to CHF 81.4 million. The further improvement in the return on net assets (RONA) before special effects to 20.5% significantly outperformed the weighted average cost of capital (WACC) of 8.5%. Due to the higher net working capital and investments in tangible assets, the equity ratio decreased slightly from 35.7% as per year-end 2015 to 34.5% on June 30, 2016. Thanks to the strong rise in operating cash flow and the gain from the disposal of the UGN production facility, net debt was reduced by CHF 16.2 million to CHF 89.1 million compared to year-end 2015. In order to enhance further the maturity profile of the Group's financing structure, Autoneum placed a bond issue of CHF 75.0 million as of July 4, 2016. This issue will facilitate the partial early refinancing of the bond in the amount of CHF 125.0 million expiring in December 2017.

2016 again served as impressive confirmation of Autoneum's innovation leadership in acoustic and thermal management for vehicles. Alongside numerous other customer awards, Autoneum was singled out by General Motors (GM) for its Supplier Innovation Award for Prime-Light. Presented in 2016 for the first time, this award is being given by GM each year to five of its several thousand suppliers who develop innovations offering particular consumer benefits. Prime-Light is the latest advance in Autoneum's successful Ultra-Light technology and represents a quantum leap in innovation for the inner dash and floor insulator segment for vehicles. Prime-Light's superior features include excellent shapeability, lower weight and an outstanding acoustic performance.

With an underfloor version made of the light textile material Ultra-Silent developed especially for sport utility vehicles (SUVs), Autoneum has further expanded its position as the world market leader in vehicle underbody systems. In doing so, it is making a decisive contribution to the weight and noise reduction of these globally sought-after vehicle models and improving their aerodynamics. This simultaneously serves to reduce the fuel consumption and CO₂ emissions of SUVs. With Ultra-Silent, Autoneum supports SUV manufacturers in the development and production of lighter, quieter and more fuel-efficient models, thus also making an important contribution toward compliance with statutory noise and emission regulations.

Business Groups

At 5.7%, BG Europe once again significantly raised its net sales in local currencies. Net sales in Swiss francs grew by CHF 26.8 million to CHF 433.3 million (prior-year period: CHF 406.5 million). EBIT climbed from CHF 21.7 million to CHF 32.9 million, which corresponds to a year-on-year improvement in the EBIT margin of 2.3 percentage points, or to 7.6%. The increases in sales and profitability were driven by high production volumes for French, US-American and Korean manufacturers and correspondingly utilized production capacities, reduced material costs and efficiency gains in manufacturing.

The strong sales growth of BG North America of 13.6% in local currencies considerably outperformed market growth in this region. Net sales in Swiss francs climbed by 9.4% to CHF 517.5 million (prior-year period: CHF 473.1 million). As the earnings contribution lost from the disposal of the US-based UGN business in Chicago Heights has not been entirely compensated yet, the EBIT margin before special effects fell by 0.5 percentage points compared with the first half of 2015 to 8.9%. Taking into account the gain from the disposal, the EBIT margin increased to 15.3%.

Operationally, BG North America recorded a successful first half of 2016 thanks to strong capacity utilization and further productivity improvements at the majority of plants as well as low raw material prices.

With an increase of 18.1% in local currencies, net sales of BG Asia once again grew significantly above market in the first half of 2016. Net sales in Swiss francs rose by 16.3% to CHF 99.6 million (prior-year period: CHF 85.6 million). EBIT improved from CHF 11.9 million to CHF 13.3 million. At 13.3%, the EBIT margin fell slightly short of the above-average margin of the prior-year period due to further investments in the strengthening of the local market presence.

Despite the decline of the key market of Brazil, net sales of BG SAMEA (South America, Middle East and Africa) recorded growth of 11.0% in local currencies thanks to gains in market shares in Argentina and higher export volumes in South Africa and Turkey. Due to the massive devaluation of the Brazilian real and the Argentine peso, net sales in Swiss francs fell by 11.2% to CHF 42.8 million (prior-year period: CHF 48.2 million). EBIT decreased by CHF 0.8 million to CHF –4.9 million. While necessary restructuring measures in Brazil burdened the result of BG SAMEA, they have already enabled initial operational progress to be made, including material savings.

Outlook

Assuming sales growth remains above the market level in the second half of the year, Autoneum expects net sales of up to CHF 2'200 million for the full year 2016. Based on unchanged market conditions in the second half of 2016, an EBIT margin above 8%* should also be recorded for the year as a whole.

*Before special effects

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Semi-Annual Report and Presentation

Further information about the Semi-Annual Results as well as the Semi-Annual Report 2016 can be found at www.autoneum.com/media/press-kits. At www.autoneum.com/media you can further subscribe to the mailing list for media releases.

Conference call

Autoneum will hold an investor and financial analyst conference call on the occasion of the publication of the Semi-Annual Results 2016 on July 26, 2016 at 9 am CET. The corresponding presentation is available on the Autoneum website.

Important Dates 2017

Publication Sales Figures Financial Year 2016	January 17, 2017
Media and Financial Analysts Conference Financial Year 2016	March 2, 2017
Annual General Meeting 2017	March 30, 2017

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About Autoneum

Autoneum, with its headquarters in Winterthur, Switzerland, is the globally leading producer of vehicle acoustics and thermal management systems. The company develops and manufactures components, modules and complete systems for interior and engine bay as well as heatshields and underbody shields. Customers include leading automobile producers in the key markets of Europe, North America, South America and Asia. Autoneum is represented at around 50 locations in over 20 countries and employs more than 11,000 people worldwide, of whom about 5% are in Switzerland. The company is listed on the SIX Swiss Exchange (ticker symbol AUTN).

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Financial highlights

CHF million	January–June 2016		January–June 2015		Change	Organic growth ¹
Autoneum Group						
Net sales	1 091.3	100.0%	1 014.1	100.0%	7.6%	10.3%
EBITDA	157.0	14.4%	76.4	7.5%	105.4%	
EBITDA adjusted ^{2,3}	123.8	11.3%	108.0	10.6%	14.7%	
EBIT	123.1	11.3%	46.1	4.5%	167.1%	
EBIT adjusted ^{2,3}	89.9	8.2%	77.6	7.7%	15.8%	
Net profit	81.4	7.5%	17.0	1.7%	379.4%	
Net profit adjusted ^{2,3}	60.6	5.6%	48.5	4.8%	25.0%	
Return on Net Assets (RONA) ⁴	23.3%		12.6%			
Return on Net Assets (RONA) adjusted ^{2,3,4}	20.5%		17.8%			
Cash flows from operating activities	74.7		18.0			
Investments in tangible and intangible assets	57.5	5.3%	53.3	5.3%		
Net debt at June 30	89.1		132.3			
Number of employees at June 30 ⁵	12 334		11 908		3.6%	
BG Europe						
Net sales	433.3	100.0%	406.5	100.0%	6.6%	5.7%
EBIT	32.9	7.6%	21.7	5.3%		
BG North America						
Net sales	517.5	100.0%	473.1	100.0%	9.4%	13.6%
EBIT	79.4	15.3%	44.7	9.5%		
EBIT adjusted ²	46.2	8.9%	44.7	9.5%		
BG Asia						
Net sales	99.6	100.0%	85.6	100.0%	16.3%	18.1%
EBIT	13.3	13.3%	11.9	13.9%		
BG SAMEA⁶						
Net sales	42.8	100.0%	48.2	100.0%	-11.2%	11.0%
EBIT	-4.9	-11.5%	-4.1	-8.4%		
Share AUTN						
Share price at June 30 in CHF	228.00		184.80		23.4%	
Market capitalization at June 30	1 060.7		855.7		24.0%	
Basic earnings per share in CHF	12.20		0.68		1 685.1%	

¹Change in local currencies and adjusted for disposal of the UGN business in Chicago Heights, Illinois, USA.

²EBITDA, EBIT, Net profit and RONA are disclosed before gain from disposal of the UGN business in Chicago Heights in the amount of CHF 33.2 million (CHF 20.8 million after income taxes) in 2016.

³EBITDA, EBIT, Net profit and RONA are disclosed before expenses relating to the settlement with the German Federal Cartel Office in the amount of CHF 31.5 million in 2015.

⁴Net profit before interest expenses in relation to equity plus borrowings.

⁵Full-time equivalents including temporary employees but excluding apprentices.

⁶Including South America, Middle East and Africa.