

SCHAEFFLER



Our strategic direction

Strategy “Mobility for tomorrow”



Ladies and gentlemen,

Our world is in motion at a pace that is gathering speed. Climate change is progressing, and urbanization, globalization, and digitalization are on the rise. These factors will impact and alter the way we live and work in the future. That applies in particular to the area of mobility and goes well beyond our cars to other forms of transportation, both in cities and in the spaces between them.

We, as the Executive Board of Schaeffler AG, want to actively participate in shaping these changes. This not only demands that we future-proof our business model; we also have to give our customers, business partners, employees, executives, and shareholders an idea of the path that we want to pursue over the next few years.

We have used 2016 to fine-tune our strategic concept with its 4 focus areas. In doing so, we have been guided by the following fundamental principle: We will only be successful in the long run if we combine long-term thinking and the success factors that have proven themselves over the years – Quality, Technology, and Innovation – with a systematic orientation towards the future.

For this very reason, we have developed the strategy “Mobility for tomorrow”. 8 strategic pillars define its scope for action. Our Excellence program “Agenda 4 plus One”, which comprises 16 strategic initiatives, will help us to execute the strategy. Our Financial Ambitions for 2020 are challenging. We want to grow profitably and create sustainable value.

This will only happen if we work together, as we already have by developing our strategy in close cooperation with our senior management and the Supervisory Board of Schaeffler AG. Following our motto: Transparency, trust, and teamwork. See for yourself and join in. Let us shape the “Mobility for tomorrow” together.

Best regards,

Chief Executive Officer
Schaeffler AG

Legal notice:

This brochure contains a simplified description of the strategy pursued by the Schaeffler Group that is not complete in all details. The Schaeffler Group makes no representations nor provides any warranty as to the accuracy, currency, or completeness of such information. In particular, this brochure does not give rise to any entitlements whatsoever. We reserve the right to make changes without notice at any time. In order to maintain the flow of the text, we have chosen to use the masculine form throughout. The terms used should be assumed to also refer to women in every instance.

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1 OVERVIEW

Where we come from

The Schaeffler Group boasts a long, eventful history of success. Since its founding in 1946 by brothers Dr. Wilhelm and Dr.-Ing. E. h. Georg Schaeffler, the company has evolved into an automotive and industrial supplier of global stature. The company's rise



Brothers Dr. Wilhelm Schaeffler and Dr.-Ing. E. h. Georg Schaeffler

began in 1949 when Dr. Georg Schaeffler invented the cage-guided needle bearing. Soon INA was manufacturing this new product in huge quantities for the German automobile industry. Shaped by the highest standards of quality, technology, and innovation, the company grew organically and sustainably on a global scale in the years that followed. The strategic acquisitions of LUK Lamellen- und Kupplungsbau in 1998 and FAG Kugelfischer in 2001 further fueled this growth. Today, the company produces components and

systems under these three product brands for various customer groups and areas of applications – for the automobile industry and for many other industrial sectors alike.

The acquisition of an interest in Continental AG in 2008 represented another milestone in the company's history. Triggered by the financial and economic crisis, this move prompted the Schaeffler Group to realign its corporate and capital structure. At the end of 2014, the "two-pillar model" was established. This model called for the Continental investment to be separated from Schaeffler AG as part of a family holding company. The realignment ended with the successful IPO of Schaeffler AG in 2015. Organic growth continued during these years on the strength of the robust and continuously improving business operations of the Schaeffler Group. This enabled the company to transform its organizational and leadership structure, and to reduce its debt systematically, which earned the company an Investment grade rating in 2016.



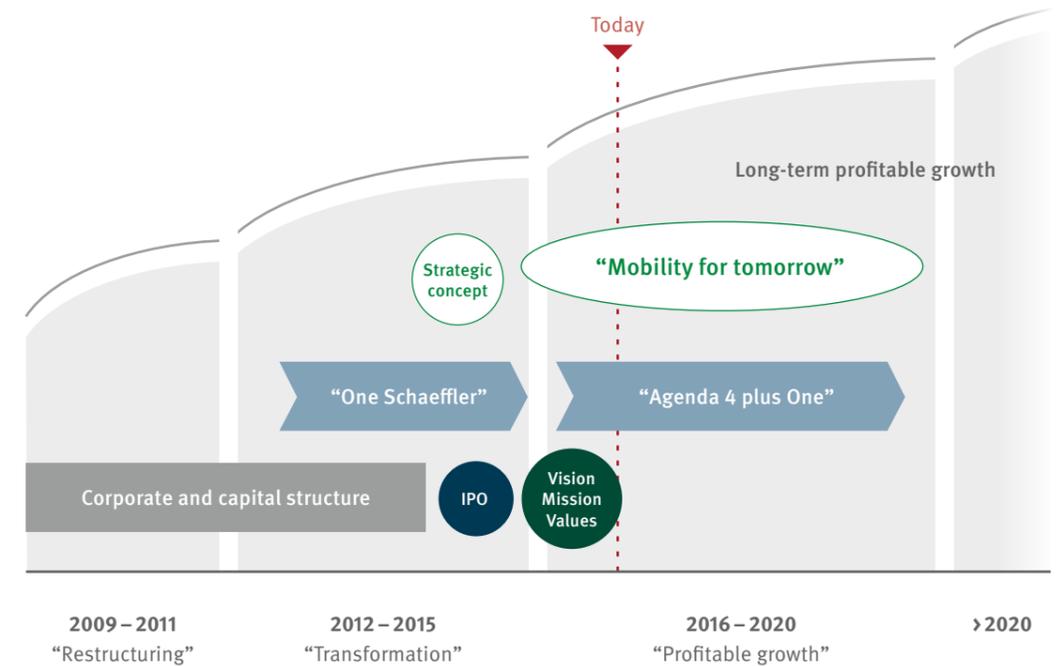
IPO of Schaeffler AG in October 2015

Where we are heading

This is the solid starting position from which Schaeffler AG can now look toward the future. The transformation has been successful. The team is in place. The groundwork has been laid for continued profitable growth. We have taken on a great challenge for the years to come. Our goals go beyond merely growing profitably, investing, and creating jobs. We also want to set a course that is right for the Schaeffler Group in the future.

To that end, we took much of 2016 to develop our strategic direction, starting with the strategic concept we developed together in 2014, and have summarized them here in this brochure. Four crucial megatrends form the starting point for our strategy: Climate change, urbanization, globalization, and digitalization. These trends give rise to four focus areas in which we intend to work as a global automotive and industrial supplier to shape mobility for tomorrow: Eco-friendly drives, urban mobility, interurban mobility, and optimized energy chain.

This is the solid starting position we have set ourselves for the goal of drawing on our strength as an automotive and industrial supplier and partnering with our customers to shape the mobility of the future. That is why we are calling our strategy "Mobility for tomorrow". The Executive Board of Schaeffler AG developed the plan in close communication with our senior management across the globe, basing it on 8 strategic pillars. These pillars define the scope of action over the years to come and are described in greater detail on the pages that follow. We are using the Excellence program "Agenda 4 plus One", which comprises 16 strategic initiatives, to ensure that the strategy is put into action.



Chronology of Schaeffler Group, 2009 – 2016

Schaeffler Group at a glance

The Schaeffler Group is a global automotive and industrial supplier. Top quality, outstanding technology, and exceptionally innovative spirit form the basis for the continued success of the company. By delivering high-precision components and systems in engine, transmission, and chassis applications, as well as rolling and plain bearing solutions for a large number of industrial applications, the Schaeffler Group is already shaping “Mobility for tomorrow” to a significant degree.



Corporate headquarters in Herzogenaurach

In 2015 the Schaeffler Group generated revenue of around EUR 13.2 billion. With approximately 85,000 employees, over 170 locations in more than 50 countries, and a worldwide network of production sites, research and development centers, and sales locations, the Schaeffler Group is one of the world’s largest family-owned companies. As a global development partner and supplier, Schaeffler cultivates stable relationships with customers and suppliers that are built to last.

Key figures



Sales

Schaeffler AG increased its revenue from EUR 8.3 billion in 2006 to more than EUR 13 billion in 2015, which corresponds to an average annual growth of approximately 5%.



Divisions

Schaeffler AG breaks its business operations down between the two divisions: Automotive and Industrial. In 2015, the Automotive Division contributed roughly 75% and the Industrial Division 25% to total revenue. A distinction is also made between the original equipment and the aftermarket/retail businesses.



Employees

The employees of the Schaeffler Group are the most crucial pillars of the company’s success. Across the globe, we employ more than 85,000 employees representing over 100 nationalities.



Global footprint

Represented at over 170 locations in more than 50 countries, the Schaeffler Group boasts a worldwide network of production sites, research and development centers, and sales locations.



Patents

In 2015 alone, Schaeffler AG filed more than 2,300 patents with the German Patent and Trademark Office, ranking it no. 2 of Germany’s most innovative companies.

2 BACKGROUND

Four megatrends

As we develop our strategy concept, we have identified four megatrends that will influence the business of the Schaeffler Group in the future: Climate change, urbanization, globalization, and digitalization. We are an automotive and industrial supplier of global stature with the expertise and technology to reduce friction and thereby save energy. As such, we feel compelled to meet the challenge of helping the world to tackle climate change.

This also applies to increasing urbanization, which demands new forms of mobility. These are the reasons why we see climate change and urbanization as two future trends that are especially important to us and our business. Globalization is particularly relevant for the Schaeffler Group in an economic context, as is digitalization in the realm of technology. As explained within the context of our strategic pillars, we see growing digitalization as an important opportunity for further optimization of our business model in the future.



Climate change

The constant emission of greenhouse gases is driving global warming. Today we find that the concentration of CO₂ is at its highest point since it was first recorded, and the temperature continues to rise. Reducing CO₂ output is one way to contain future climate change.



Urbanization

More and more people are living in cities and metropolitan areas. The number of “megacities” – as we refer to cities with more than 10 million inhabitants – is expected to grow to more than 35 by 2030. By 2030 it is predicted that about 5 billion people, or roughly 60% of the world’s population, will live in cities. One of the most important challenges of our future is to develop sustainable infrastructures and new mobility solutions in order to manage congestion in cities that are growing larger and larger.



Globalization

In recent years, the world has seen ever closer international ties between individuals, companies, institutions, and countries. This is causing the global trading volume to rise and value chains to become ever more globally oriented, making mobility an important engine for prosperity. That will be especially true if global mobility remains affordable.



Digitalization

Our world is becoming increasingly interconnected by everything from personal devices all the way to complex systems in industrial settings. The real world and the digital world are converging, and that brings not only new challenges but also new business areas, change in value chains, and great opportunities. That goes particularly for companies that succeed in directing the focus of their thinking and action – rather than just their production and other core processes – toward digitalization.

Four focus areas

As early as 2014 we started to define 4 areas for action on which we wanted to focus as a global automotive and industrial supplier, driven by the four megatrends. Given the variety of our products and services, and the number of industries that we supply, this is more than a logical step – it is essential if we want to help shape the “Mobility of tomorrow” as a supplier. Our 4 focus areas are: “Eco-friendly drives”, “urban mobility”, “interurban mobility” and “energy chain”. They form the basis for our strategic orientation. They also demonstrate that we are ready and willing to use and share our knowledge and expertise across divisions.

Along with the megatrends of the future and the focus areas on which we want to concentrate, we have focused heavily on the future direction that the markets crucial to both of our divisions – Automotive and Industrial – are likely to take:

“Mobility for tomorrow”



Eco-friendly drives

One of our primary goals is to develop energy-efficient drive systems with low or zero emissions. In the automotive area, we are focusing on further optimizing conventional combustion drivetrains, in the area of E-Mobility, whether for vehicles with hybrid drivetrains or for battery electric vehicles. The same logic can be applied to modern industrial drive systems, where our wealth of knowledge in the automotive field is essential.

- Optimized combustion engine
- Electric cars
- Industrial drives



Interurban mobility

Along with increasing congestion within cities, we can expect to see global centers become more interconnected over the years to come. Rail traffic will increase significantly, but so will air traffic. Providing modern and efficient mobility solutions presents a key challenge to both industries. The same is true for the off-highway sector, including agricultural technology, outside the cities. In this area, the Schaeffler Group and its innovative rolling bearing solutions and exceptional system knowledge are set to lead the market.

- Rail vehicles
- Aircraft
- Off-highway



Urban mobility

The shift in mobility is nowhere as noticeable as it is in megacities across the globe. Cities like Tokyo or Shanghai experience a daily traffic volume in which fast, efficient and flexible movement is almost impossible. At the same time, more and more cities are banning cars from their downtown areas. This trend calls for new mobility solutions, whether in micro-mobility or by designing more efficient cars and public transit – all areas in which we hope to achieve success with our range of services.

- Two-wheelers
- Inncity railways
- Micro mobiles



Energy chain

Common to all of the focus areas mentioned above is the continuing need for the cleanest energy possible. We partner with the energy sector, assisting in the development of renewable energy production and focusing on wind power, hydropower, and solar power. In conventional energy generation as well, we see opportunities for expanding our range of products and services. After all, ultimately all segments of the energy chain – from its production to its transport and conversion to energy consumption – must be optimized further.

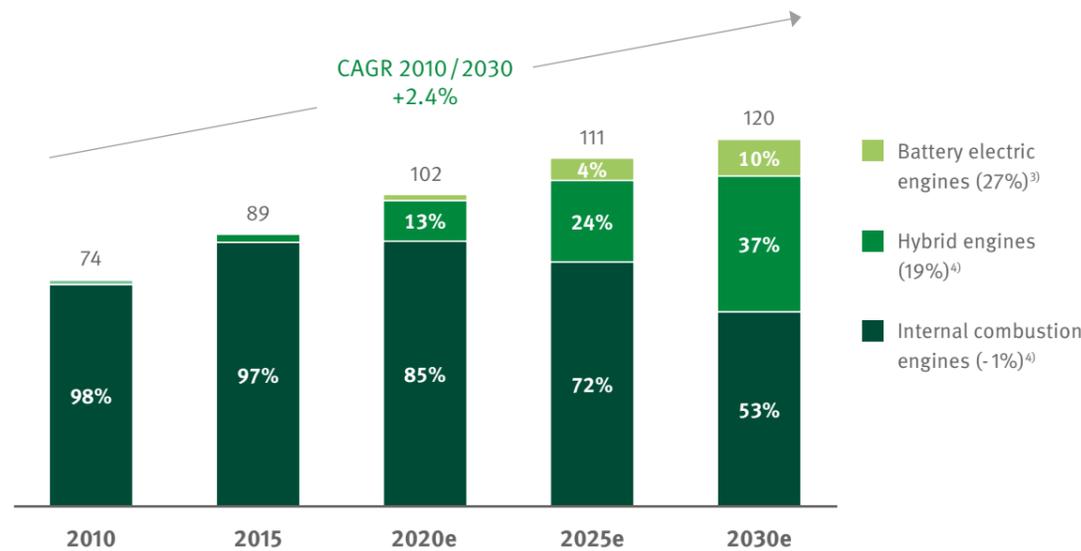
- Wind power
- Solar power
- Conventional power generation

Automotive market trends

Market trends for the Automotive Division are driven by the global production volumes of passenger cars and light trucks. The growth of the global vehicle fleet also plays a crucial role in our automotive aftermarket business.

Based on the current forecasts, we expect to see average growth in global production volumes of around 2% p. a. over the next few years. That means that approximately 120 million cars will be produced in 2030. At least as important is the question as to how global growth will be split between the different types of drive systems. In our basic scenario, we expect about 47% of all newly produced cars to be equipped with battery electric engines and hybrid engines in 2030. That would add up to approximately 56 million cars.

Global production volume¹⁾
In units, basic scenario²⁾



Source: IHS, LMC Automotive, Schaeffler Group projections
 1) Annually expected global production volume, automobiles/small utility vehicles in millions of units
 2) Schaeffler estimates
 3) CAGR 2015/2030
 4) CAGR 2010/2030

Based on the latest pronouncements of major automobile manufacturers, it is possible that these forms of drive train concepts will develop not only earlier, but also with greater impact. Assessing and sizing up this market trend accurately is one of the major challenges confronting every automotive supplier. This is also the reason why we are intensifying and expanding our involvement in the field of E-Mobility as part of our strategy “Mobility for tomorrow”.

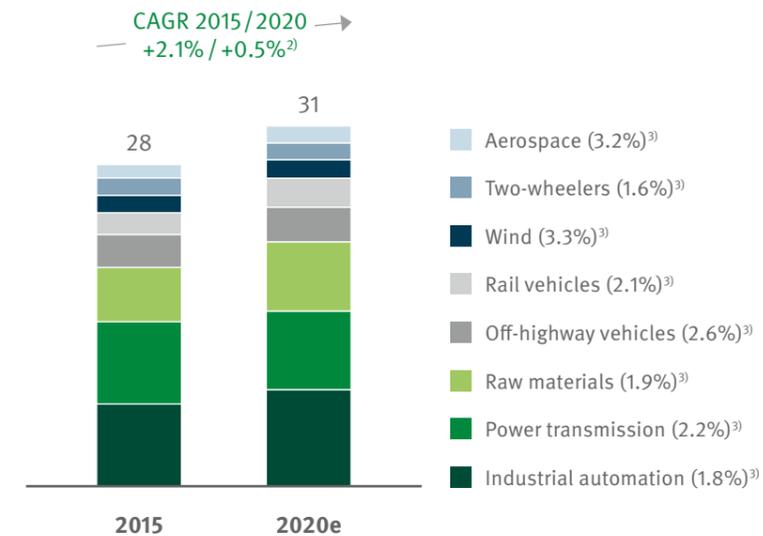
Industrial market trends

We have different expectations for growth in our Industrial Division. This is due first of all to the higher number of industries that we serve in that division, and second to the heterogeneous nature of the different sectors.

A key indicator of growth in the market relevant for our Industrial Division is the global market volume for rolling and plain bearings, for linear technology and for service products in these areas. For the Industrial Division, if we assume that prices remain flat, market volume over the next five years would increase by approximately 2%. As we, however, anticipate a continuous decline in prices, we can expect the market to remain nearly level over the years to come.

This market trend, which goes hand in hand with increasingly intense competition, calls for an approach that is fundamentally different from that in the automotive market.

Global market volume¹⁾
in EUR bn



1) Global market for plain and roller bearings, linear technology, and service products
 2) CAGR 2015/2020 adjusted; 1st value: constant prices; 2nd value: with price drop factored in
 3) CAGR 2015/2020 – growth rates based on external forecasts and our own estimates (basis: Oxford Economics Industrial Products Classification)

For both the Automotive and Industrial Divisions, we consider the electrification of drive trains and the issue of energy efficiency as key drivers of future growth. In the Automotive Division, increasing interconnectedness and the trend towards autonomous driving are also playing an especially important role. In the Industrial Division, we are pursuing a policy that reflects the importance of Industry 4.0 and the expansion of our service business.

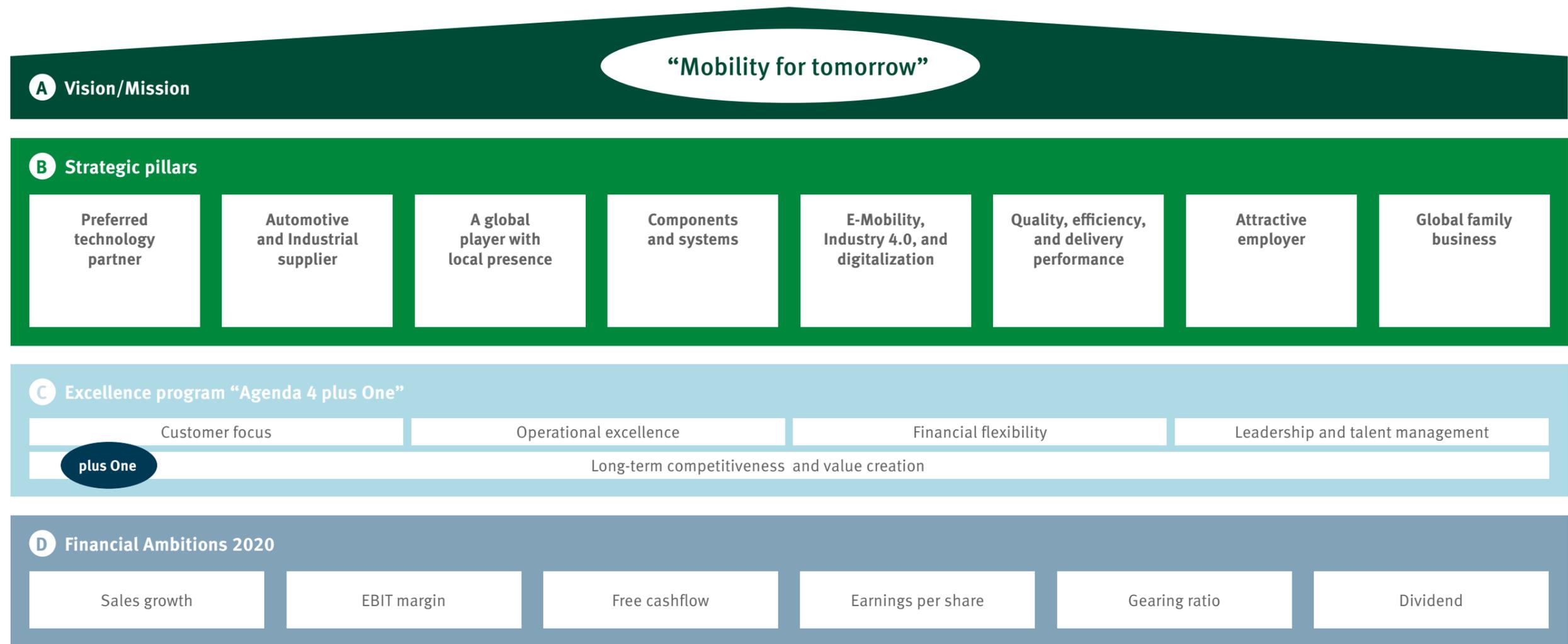
3 STRATEGY "MOBILITY FOR TOMORROW"

Our strategy concept

Based on the megatrends, our focus areas, and the market trends we anticipate, our strategy concept comprises four key elements as illustrated in the following chart: Our vision and mission; 8 strategic pillars that define our strategic scope for action for the next several years; our Excellence program "Agenda 4 plus One" with 16 strategic initiatives with which we plan to implement our strategy; and our Financial Ambitions 2020.

"Strategy 'Mobility for tomorrow' means for us: 4 focus areas, 8 pillars and 16 strategic initiatives."

Klaus Rosenfeld, Chief Executive Officer of Schaeffler AG



Strategy house of the Schaeffler Group

Vision and Mission

Strategy begins with a vision. It is from a vision that we define the model by which we choose to be guided, the standards that we set for ourselves, and the contributions we strive to make.

For every vision there must be a mission. A mission describes the task we are committed to. Underlying our mission are three key concepts: Working in partnership with all of our customers and business partners, top-level expertise in manufacturing technology, and advanced systems know-how. On this basis, our mission is as follows:

Mission of the Schaeffler Group

“Guided by the values of a global family business, we work closely together with our customers as true partners to deliver a compelling value proposition through our best-in-class expertise in manufacturing technology and systems know-how. In doing so, we contribute to the success of our customers, the advancement of our employees, and the prosperity of our society.”

A mission and vision provide points of orientation and become a compelling power when they complement and amplify one another. For us, our aspirations and mission go hand in hand. On this basis, the vision by which we aim to guide ourselves and our activities in future is as follows:

Vision of the Schaeffler Group

“As a leader in technology, we combine a passion for innovation with the highest standards of quality to shape the future of mobility – for a world that will be cleaner, safer, and smarter.”



Eight strategic pillars

A strategy becomes understandable when it clearly defines and describes the scope for future action. It should do so in a manner that is clear and easily understood. We have therefore agreed on eight strategic pillars that constitute the basis for the continuous further development of the Schaeffler Group and at the same time describe what we wish to achieve or further improve in the future.

The pillars of our strategy "Mobility for tomorrow" are:

Each of these pillars has its own justification and reasons. At the same time, it is our conviction that all eight pillars together create a strong foundation on which to lead the Schaeffler Group successfully into the future.

1

We want to be the preferred technology partner for our customers.

2

We are an Automotive and Industrial supplier.

3

We are a global company with a local presence throughout the world.

4

We produce components and systems.

5

We view E-Mobility, Industry 4.0, and Digitalization as key opportunities for the future.

6

We strive for the highest possible quality, efficiency, and delivery performance.

7

We want to be an attractive employer.

8

We live by the values of a global family business.

1

We want to be the preferred technology partner for our customers

Only those with a precise understanding of their customers' requirements can offer tailored solutions. For many years now our comprehensive systems knowledge, cutting-edge technological expertise, and unwavering commitment to customer service have made us a highly sought-after development partner for our customers in the automotive and industrial sectors. Why is this the case? It is because we center our efforts on our customers and their needs.

As a technology company, we have decided in the future to focus even more intensely on the needs of our customers and shape the "Mobility for tomorrow" together.



IAA exhibition stand

“For us at Schaeffler, the customer takes center stage. We intend to make a lasting contribution that will make our customers even more successful.”

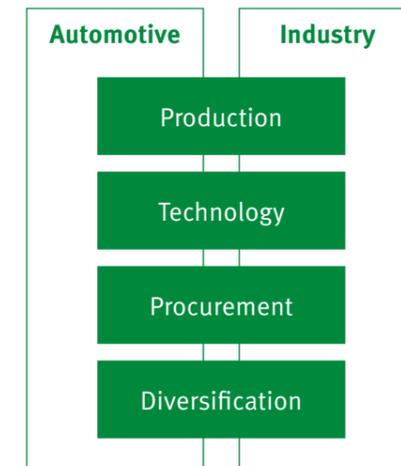
Prof. Dr. Peter Pleus, CEO Automotive of Schaeffler AG

2

We are an Automotive and an Industrial supplier

The Schaeffler Group is often thought of as purely an Automotive supplier. This is not at all the case. We are an Automotive and an Industrial supplier. For us, the two divisions belong together. For one thing, they make common use of a global platform of factories and production facilities. Another aspect that unites them is our worldwide manufacturing excellence and first-class steel processing capabilities. And it makes no difference whether we happen to be manufacturing roller bearings or engine components.

At the same time, central coordination of all research and development activities, a solid basis of expertise (for example, in surface technologies), and our global research network are helping us to strengthen our innovative capabilities and promote product and technological innovations that cut across industries. We apply expertise gained in the industrial field – examples of which include special steels and ceramic rolling elements – for our automotive business as well.



Cooperation between divisions

This division, which is managed by our production, logistics, and purchasing board, delivers roller bearings to both Automotive and Industrial. This enables us not only to create uniform standards, but also to leverage the resulting synergies, ensure value-added outcomes, and apply flexible capacity utilization. We see this also, of course, in the joint purchasing of materials and raw materials, where we take advantage of economies of scale.

In the future we also plan to step up, more than we have in the past, the exchange of personnel between the two divisions. The success of the Schaeffler Group is always the joint success of both divisions.

“We make a conscious effort to promote cooperation across divisions. This holds especially true for our roller bearing business. By doing so, we not only raise synergies but also promote valuable know-how transfer.”

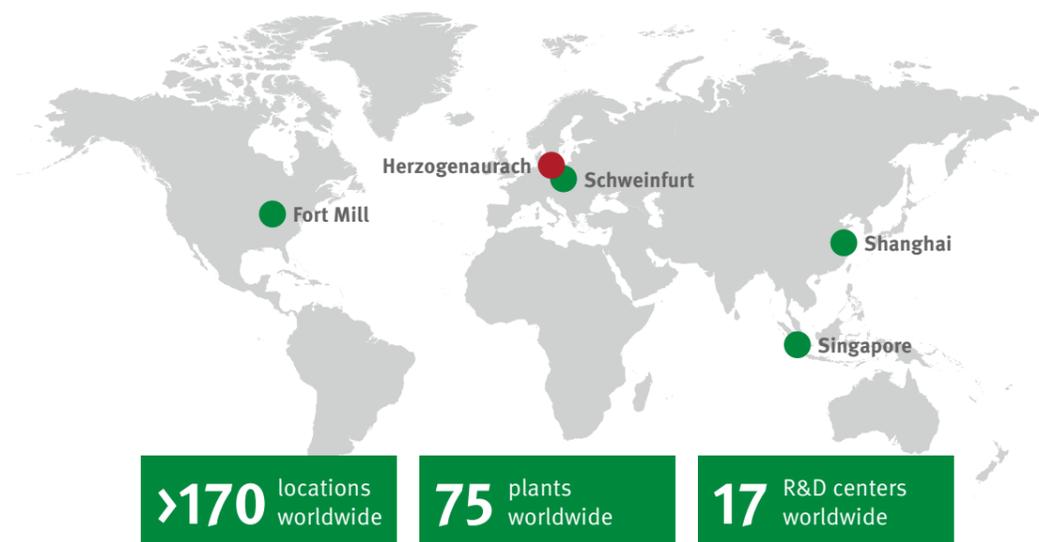
Dr. Stefan Spindler, CEO Industrial of Schaeffler AG

3

We are a global company with a local presence throughout the world

As a partner, we try to be in close proximity to our customers. With more than 170 locations worldwide, 75 production facilities, 17 research and development centers, and a tight-knit sales and service network, we ensure that our customers always find us close at hand – true to our guiding principle: “We are a global player with local presence”. For only those who recognize and understand the challenges confronting their customers can develop tailored solutions. And only those who maintain a local presence are able to respond quickly.

We generally divide our business operations into four regions: Europe, America, Greater China, and Asia/Pacific. Each of these regions is managed by a Regional CEO who is represented on the Executive Board of the Schaeffler Group. This organizational arrangement allows us to provide better and more flexible management in the regions and facilitates cooperation with regional customers.



The four regions of the Schaeffler Group

In this context, the proactive localization of activities in future markets constitutes one of the key challenges in the implementation of our strategy “Mobility for tomorrow”. It also demands that in future we think even more deeply in terms of global connections and delegate responsibility away from central headquarters.

“One of our greatest strengths is our global orientation. At the same time, we rely on local expertise. This makes us not only global, but also present worldwide.”

Dr. Ulrich Hauck, Chief Financial Officer of Schaeffler AG

4

We produce components and systems

Our products have always facilitated and promoted mobility: They have contributed to the development and improvement of automotive drive trains and other means of transportation. We supply components for bicycles, rail, and aircraft. We are present wherever something moves or turns.

At the same time, we are a supplier that understands and is able to deliver complex modules and complete system solutions. Today we are seeing an ever more frequent merging of mechanical and electronic components into larger mechatronic systems that require complex control software. We aim to further develop our expertise in this area, without neglecting our components business. We value both business segments equally. And for good reason: Those without expertise in components will not be able to handle the system.

Components



Mechanical systems



Mechatronic systems



Service



Apart from our components and systems, we also wish to further develop our service business. This goes for both the Automotive Aftermarket and the Industrial business.

“Those wishing to deliver systems must understand components. We can do both: Components and systems.”

Norbert Indlekofer, CEO Automotive of Schaeffler AG

5

We view E-Mobility, Industry 4.0, and Digitalization as key opportunities for the future

The content of our strategy "Mobility for tomorrow" is based on three main topics that we consider key future opportunities: E-Mobility, Industry 4.0, and digitalization



48-volt cars

E-Mobility

As a leading technology partner, the Schaeffler Group began engaging in the topic of E-Mobility some years ago. We therefore created the E-Mobility systems department, in which we bundle together our multi-functional activities relating to alternative types of drives from across corporate divisions and national borders. We thus pursue a holistic approach that integrates our Automotive and Industrial Divisions. And, in research institutions such as the "Schaeffler Hub for Automotive Research in E-Mobility" at the Karlsruhe Institute of Technology, engineers are working to promote technology transfer between the academic world and our company by pursuing an intensive program of research into the solutions that will shape the mobility of the future.

With our solutions for the electrification of vehicle drive systems, we focus on both products for hybrid vehicles as well as purely electric-driven vehicles. Our developing product portfolio encompasses modular solutions for P2 hybrid systems (the electric motor is positioned between the combustion engine and transmission) as well as electric drive axles based on 48 V and high-voltage solutions up to 800 V, through to our research on integrated, innovative electrical wheel hub drive systems for autonomous urban taxis. We have already been testing the majority of these solutions in concept vehicles and prototypes in various markets. A special highlight is that we have exclusively developed the electric drive train of the Formula E racing car for the only German team, the "Abt Schaeffler Audi Motorsport" team.

As part of our strategy "Mobility for tomorrow", we aim to considerably expand our "E-Mobility" segment, in which we include both automobiles with a hybrid drive train and fully electrical vehicles. It is an area in which our holistic understanding of systems puts us in good standing.

Industry 4.0

Our E-Mobility activities in the Automotive Division are complemented by "Industry 4.0" in the Industrial Division. Today we are witnessing what is being referred to as the "fourth industrial revolution", and it is having in particular a massive impact on the future of production companies. "Industry 4.0" stands for intelligent networks that interconnect product development, production, logistics, customers, and suppliers. Its technological basis is intelligent, digitally linked systems that maximize the possibilities for autonomous production: People, machines, systems, logistics, and products communicate and cooperate with one another directly.

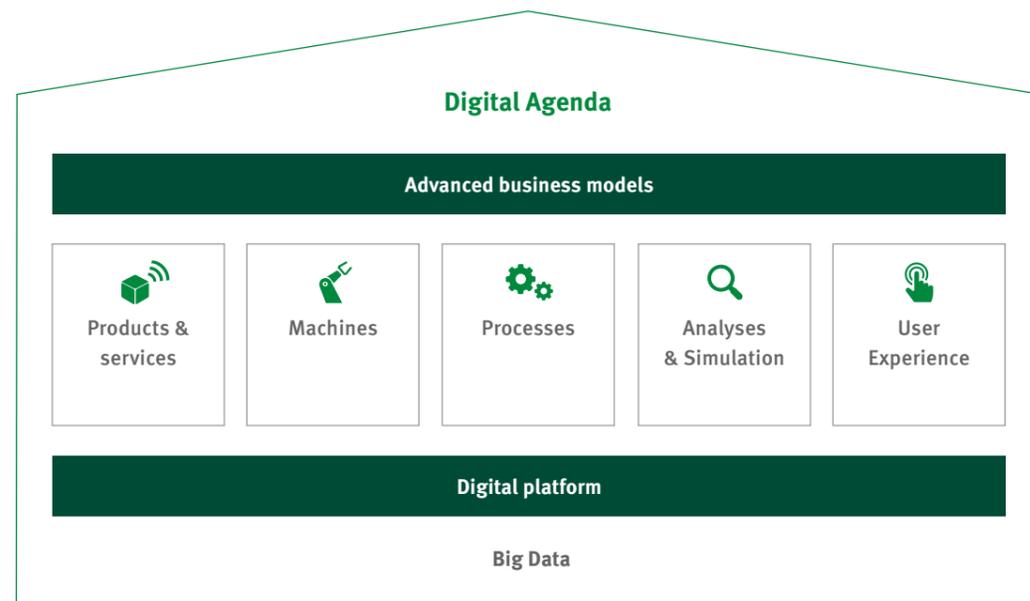


Machine Tool 4.0

As a supplier, we wish to take an active role in shaping this development for our customers. We are involved wherever something turns or primary data can be harvested. An example of this is our "Machine Tool 4.0". Equipped with several dozen sensors, the lathe and milling center collects a large amount of data. It is a practical realization of the productivity enhancements that are made possible by the increased interconnectedness of machines and production facilities. And we use these same machines in our own production. The next step is to design a mass-produced Industry 4.0 machine. In addition to production technology, Industry 4.0 involves the digital networking of the components and systems our customers use. In this way, for instance, anti-friction bearings can be continuously monitored in wind turbines or high-speed trains, and operation optimized on this basis.

Digitalization

The third topic, that of "Digitalization", connects both divisions. As already explained in our analysis of current trends, we assume digitalization will significantly transform the entire economy and its traditional processes. The convergence of the real worlds will produce new business models and a lasting increase in value creation. These are opportunities we want to take advantage of. We have therefore developed a "Digital Agenda" that comprises five key elements and is a pivotal component of our Excellence program "Agenda 4 plus One". Among these key elements are: Products & services, machines, processes, analyses & simulation, and user experience.



Digital Agenda

With our Digital Agenda we are concentrating both on internal processes and on products and solutions for our customers. It is not only internally that we aim to increase the efficiency of our processes, use available data more intensively, and more effectively link production locations, machines, and buildings. We also aim to expand on our customers' existing business models and help them develop new ones.

We have set up a new department – the Digitalization Coordination Office – to promote and drive Digitalization within the Schaeffler Group. We are aware that we must work together with other partners in shaping future technologies. A good example of that is the partnership with IBM established in 2016. Anyone who aspires to actively participate in the digital age has to be open to new ideas. This also applies to other potential collaborations and partnerships.

“Our strategy is consciously directed towards the long term. We want to actively shape the future of mobility. To achieve this we look mainly to future E-Mobility, Industry 4.0, and Digitalization.”

Prof. Peter Gutzmer, Chief Technology Officer of Schaeffler AG



Digitalization at the Schaeffler Group

6

We strive for the highest possible quality, efficiency, and delivery performance

One of the guarantees for the Schaeffler Group's success is its unique global footprint, currently numbering 75 production locations worldwide. Quality is of paramount importance for us. It has always been our goal to consistently ensure high quality and product safety in all applications. Globally standardized quality management ensures compliance with high standards and the fulfillment of high efficiency and quality demands at all of our plants.



Quality assurance onsite

We have widened the scope of quality to include two additional aspects: Efficiency and delivery reliability. Through the use of advanced technologies, we are able to achieve continuous cost and efficiency improvements. At the same time we strive for even better, synchronized control, capacity utilization, and optimized logistics. Our goal is to serve our customers at all times with superior reliability – both in the original equipment business as well as in the aftermarket.

The basic principle of "Quality, Cost, and Delivery" – abbreviated as "QCD" – is firmly anchored in all of our plants throughout the world today. We are supported here by our MOVE organization, through which we drive the "lean" philosophy in the company. We want to make stronger use of these approaches in our indirect areas.

"We are pursuing a success formula at all plants that has for years consistently proven itself: Quality, efficiency, and delivery reliability. This ensures that it is the customer that returns and not the product."

Oliver Jung, Chief Operating Officer of Schaeffler AG

7

We want to be an attractive employer

Our employees are vital for guaranteeing the success of the Schaeffler Group. Identifying, promoting and retaining the best team for the Schaeffler Group in the long term is crucial for the successful realization of our strategy. We are already a popular employer today – as confirmed by several awards. The preeminent employer ranking institute in Germany, trendence, lists Schaeffler as one of the most popular employers among engineering and business students. Students and graduates alike value the core elements of our corporate culture, including team spirit and career development opportunities.

From an international point of view, Schaeffler is also well-positioned as an employer. In the US, we were awarded the "National Business of the Year 2014" for outstanding performance with a positive impact on the company's employees, its industry, and society. In China we have been awarded "China's best 100 HRM (Human Resources Management)" as well as "Top 100 Best Employer China" – among other reasons due to the German dual system of training, which Schaeffler introduced to China nearly ten years ago.



Trainee meeting

The megatrends we have already mentioned will fundamentally change the working world of the future. Globalization, individualization, and demographic change pose great challenges to us, but also offer a wide range of opportunities. We have to take appropriate action now in order to secure and strengthen our attractiveness as an employer. A decisive success factor in the competition for talent is providing a flexible work environment and

practices in order to meet the expectations younger generations.

We are not only concerned about new employees here. We want to be an attractive employer for all of our employees. For the young and more senior, for those in Germany and all other countries. We have therefore deliberately made the theme of qualification and training one of our strategic initiatives as part of the Excellence program "Agenda 4 plus One". And for good reason: Only by continuing to learn with and from each other will we assert ourselves as a leading technology company.

"Highly motivated and qualified employees are the most important pillar for the long-term success of the Schaeffler Group."

Corinna Schittenhelm, Chief Human Resources Officer of Schaeffler AG

8

We live by the values of a global family business

The Schaeffler Group is a listed family business. A company with a strong foundation of values, established by its founders. In addition to the unconditional desire to succeed, the corporate culture of the Schaeffler Group is also about the willingness and ability to challenge ourselves to try something new, including taking a long-term perspective. We also strive for the highest quality and first-class technology. We have summarized these aspects in four core values: Sustainable, innovative, excellent, and passionate.



Maria-Elisabeth Schaeffler-Thumann and Georg F.W. Schaeffler

“The Schaeffler Group is a global family company with more than 85,000 employees. Four core values connect us worldwide: Sustainable, innovative, excellent and passionate.”

Klaus Rosenfeld, Chief Executive Officer of Schaeffler AG

These values, which will be globally rolled out and embedded as part of our Excellence program “Agenda 4 plus One”, form the basis for the continued success of the Schaeffler Group. We intend for these values to create trust, connect people around the world, and enable us to work together as a global family. This works for the benefit and in the interest of all: Our customers and business partners, our employees and managers as well as our shareholders and family shareholders.

Sustainable

A long-term view and continuity will foster the growth of the Schaeffler Group, thereby enabling a future worth living.

Innovative

For (nearly) every problem there is a solution. If not, we will create one!

SCHAEFFLER

Excellent

We develop solutions that are of the highest quality based on our extensive expertise.

Passionate

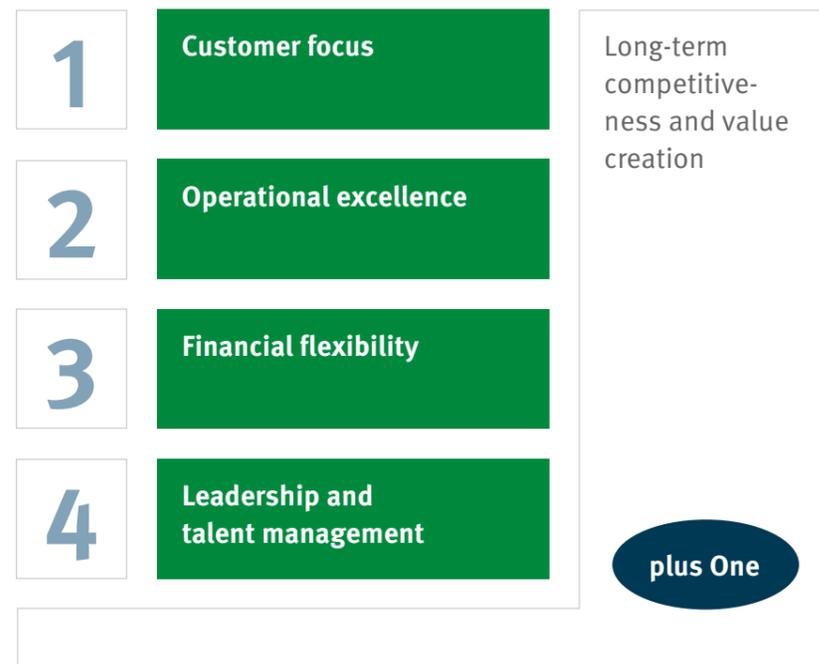
Our biggest driver is our passion for innovative technologies and joint success with our customers.

Four corporate values

4 EXCELLENCE PROGRAM "AGENDA 4 PLUS ONE"

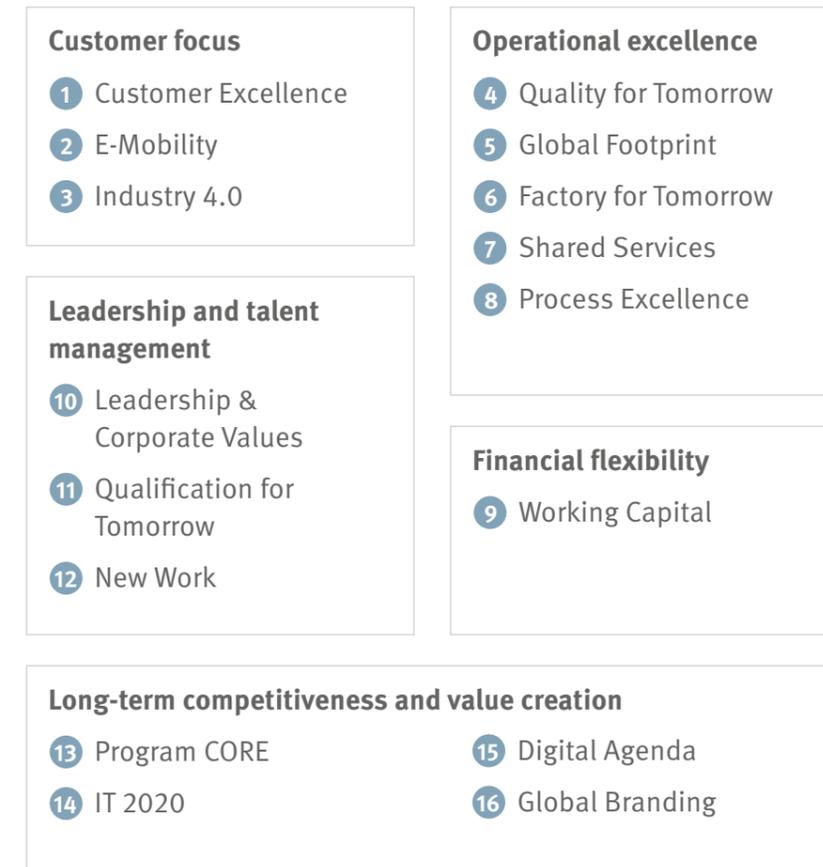
"Agenda 4 plus One"

Any strategy is only as good as its implementation. In preparing our strategy concept, we have therefore put a great deal of thought into how we can implement our strategy as efficiently and consistently as possible. Building on the positive experience we had with our first transformation program "One Schaeffler" drawn up after the change of management in October 2013 and successfully rolled out by the end of 2015, we have developed a tailor-made program of excellence which summarizes our key strategic initiatives in five categories. We therefore call our Excellence program "Agenda 4 plus One".



Our "Agenda 4 plus One" includes the following five categories: Customer focus, Operational excellence, Financial flexibility, Leadership and talent management, and – as "plus One" – Securing Long-term competitiveness and value creation. "Agenda 4 plus One" comprises 16 strategic initiatives that are most important worldwide and have been selected from a variety of initiatives.

Each initiative is the responsibility of a Member of the Executive Board as a sponsor and managed by a project manager. The stated aim is to successfully implement all initiatives by the end of 2020.



16 Strategic Initiatives

"Agenda 4 plus One" will be implemented according to the successfully established project management approach of the program "One Schaeffler". This approach makes certain that the design, implementation and management of initiatives carried out follow standard rules and criteria, and are supported and accompanied by an independent program organization under the jurisdiction of the Chief Executive Officer.

"Any strategy is only as good as its implementation."

Klaus Rosenfeld, Chief Executive Officer of Schaeffler AG

Financial Ambitions 2020

We have set ourselves challenging targets for 2020. In the next four years we want our sales – adjusted for currency effects – to increase by an average of 4–6% p. a. and to achieve an EBIT margin of 12–13%. On this basis, we want to achieve a free cash flow of around €900 million by 2020. Furthermore, we intend to increase our earnings per share to around €2.00 in 2020.

In addition to these operational indicators, it is critically important for the success of the Schaeffler Group to further improve our financial flexibility and the quality of our balance sheet. For this purpose we have set ourselves the task of managing the net-debt-to-equity ratio – known as gearing ratio, the quotient of the two variables – to be less than 75% by 2020. Moreover, we are planning to pay out dividends amounting to 30–40% of the annual net income to the shareholders. Summarizing the Financial Ambitions we want to maintain and secure in the long-term the Investment Grade Rating gained in 2016 as the basis for further growth strategies.

Sales growth¹⁾	Ø 4 – 6% p. a. FX-adjusted
EBIT margin	12 – 13% p. a. Before one-off effects
Free cashflow¹⁾	~ € 900 million in 2020
Earnings per share¹⁾	~ € 2.00 per share in 2020
Gearing ratio²⁾	< 75% in 2020
Dividend³⁾	30 – 40 % of net income

1) Excluding external growth
 2) Net-debt-to-equity ratio (excluding pensions)
 3) Payout ratio based on net income

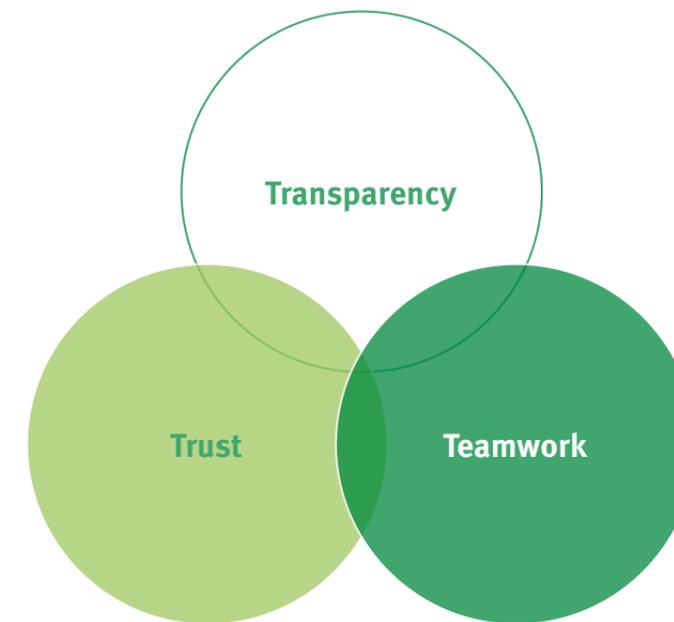
Market assumptions
 Automotive industry: Global growth in car production of 2%
 Industry: Low single digit growth in global industrial production

All these ambitions can ultimately be merged into one key objective. We want to continue to grow profitably and create sustainable value. Following the successful realignment of our capital structure and our renewed financial flexibility resulting from the reduced level of debt, we will no longer rely only on purely organic growth. As part of our strategy, we want to consider making selected smaller acquisitions in the sectors, where we intend to expand and strengthen our core competencies. In order to appropriately manage the risks of such an acquisition strategy and to enable long-term active portfolio management, we will optimize our Group structure and establish a professional M&A process.

Transparency, trust, and teamwork

Even more important than the quantitative support and financial ambitions that are pursued by such a strategy are the people who execute it, and how they interact with one another. In other words: Our Excellence program also means that we treat one another in a professional and respectful manner. No matter where, when and who. For this purpose we want to refocus ourselves towards the motto that we introduced at the end of 2013 as part of the realignment of our organizational and leadership model: Transparency, Trust, and Teamwork.

This motto is based on the belief that when we are transparent and open with each other, trust will grow and where there is trust, good and efficient teamwork will result.



We want to give this motto a place in the implementation of our worldwide strategy. This is also a fundamental aspect of our business culture which we want to further improve in the next few years. This was the purpose of the new organization and management model that we implemented at the end of 2013. Going forward based on this model, we want to delegate more responsibility and create an environment for entrepreneurial action.

5 OUTLOOK

Our world is in motion at a pace that is gathering speed with continuing change. Anyone wanting to help shape this change has to consider tomorrow in the here and now. The Executive Board of Schaeffler AG plan to play an active role in “Mobility for tomorrow” thus making a contribution as an automotive and industrial supplier towards making the world a cleaner, safer and smarter place. This is the vision that guides us.

We want to create the conditions to continue profitable growth and successfully lead the Schaeffler Group into the future with our strategy “Mobility for tomorrow”, which we have developed in cooperation with our senior management worldwide and in close coordination with the Supervisory Board of Schaeffler AG and in conjunction with the Excellence program “Agenda 4 plus One”. We are confident that we cannot only achieve our ambitious goals in this way, but sustainably increase our competitiveness and create value. Our many employees are our most valuable asset. They contribute significantly to putting our strategy into action. Each in their own way. Everybody shares in the success – our customers and business partners, executives and employees, our shareholders and our family shareholders, to whom we owe a great debt of gratitude.

Klaus Rosenfeld
Klaus Rosenfeld

Prof. Dr.-Ing. Peter Gutzmer
Prof. Dr.-Ing. Peter Gutzmer

Dr. Ulrich Hauck
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Dr. Stefan Spindler
Dr. Stefan Spindler

Dietmar Heinrich
Dietmar Heinrich

Andreas Schick
Andreas Schick

Bruce Warmbold
Bruce Warmbold

Dr. Yilin Zhang
Dr. Yilin Zhang

BECAUSE YESTERDAY WE WERE ALREADY
THINKING ABOUT TOMORROW.



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