Commented Slides / Conference Call FY 2017

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Ladies and gentlemen, welcome to the conference call of Schaeffler AG. This conference will be recorded. After the presentation there will be an opportunity to ask questions. May I now hand you over to Ms. Casaro, who will lead you through this conference. Please go ahead Madame.

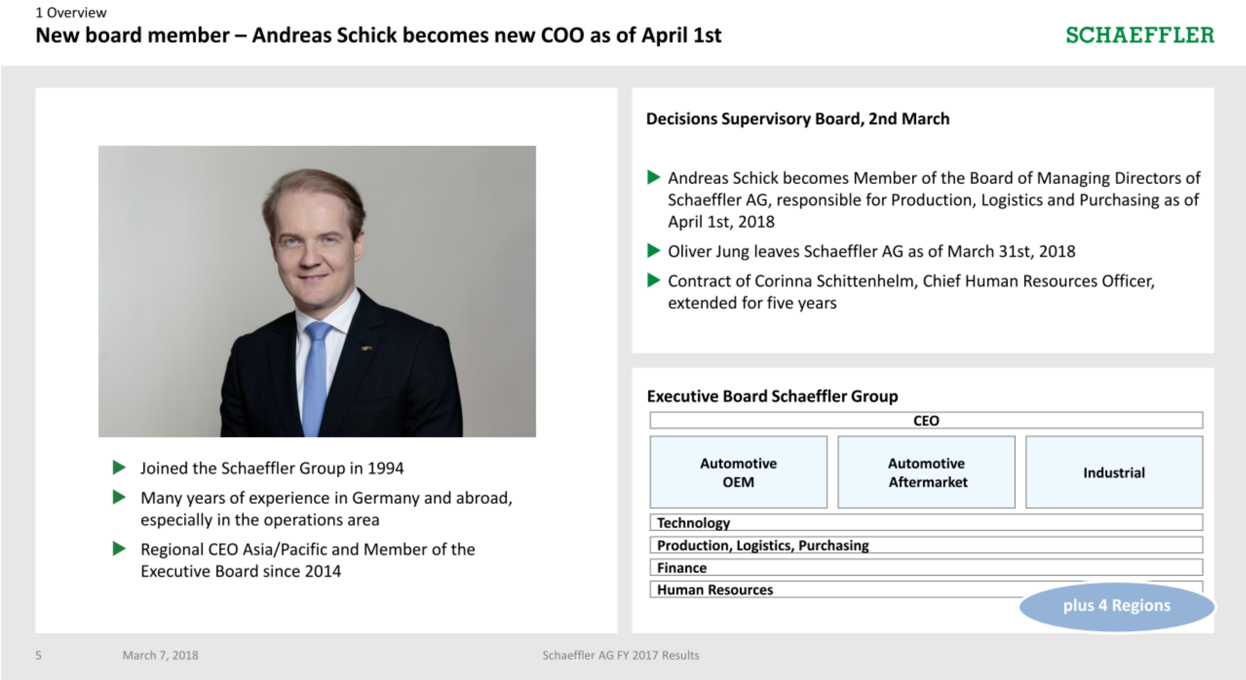
Renata Casaro

Thanks operator. And welcome everyone participating to the full year 2017 conference call for Schaeffler AG. With me and my team in the room are Mr. Klaus Rosenfeld, CEO and Mr. Dietmar Heinrich, CFO. You should have received early this morning our press releases, our annual report and at 1 p.m. the presentation for this call. Mr. Rosenfeld and Mr. Heinrich will go through the presentation and will be available for questions after that. With this short introduction over to you, Mr. Rosenfeld.

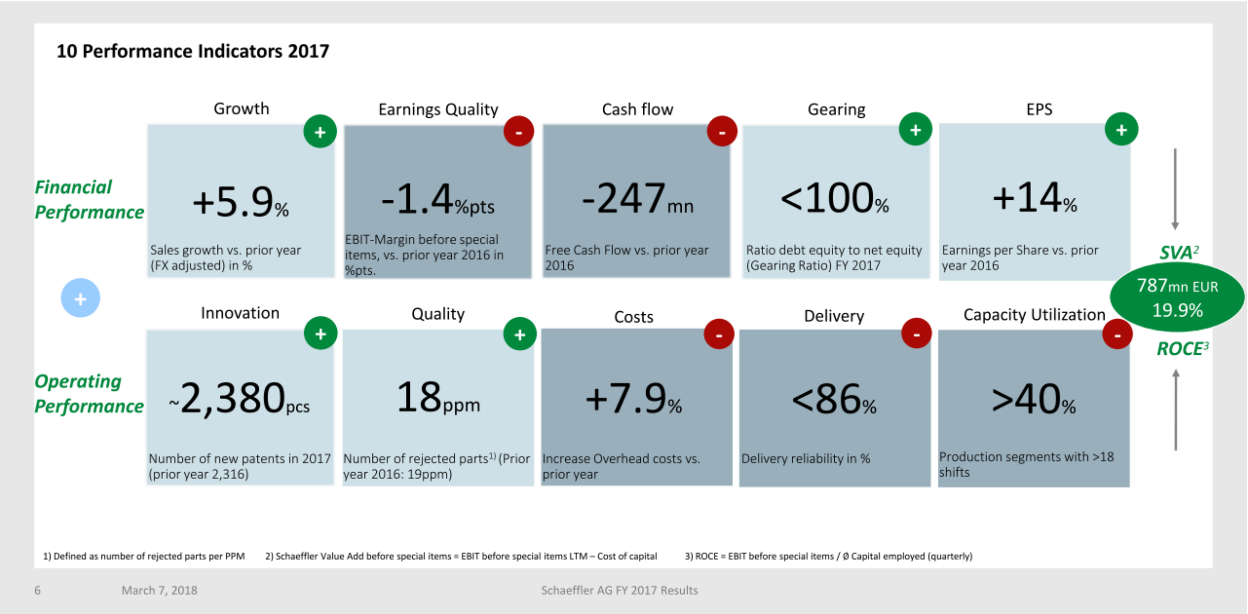
Klaus Rosenfeld

Thank you very much, Renata, ladies and gentlemen, welcome to our annual investor and analysts call. We are here to lay out to you the full results for 2017 and we also want to explain a bit the way forward into the year 2018 and beyond. We are going to split the presentation that you have received in two parts, I am going to take on the first part, talk a little bit about, what went well, and not so well, mention some of the key figures and then address five key questions that were raised in the last weeks. And then Dietmar is going to take over and go into more detail on the financial results.

Let me start on page 4 of the presentation, you have the key figures here that you have seen. 5.9% FX adjusted growth, all divisions and regions contributed to it, a margin that was down compared to last year, 11.3%. If you take the impact from the financial agenda, from the Agenda 4 plus 1 that we are going to explain in more detail later on, you already see that the bulk of delta 1.4% comes from the costs that are related to the Agenda 4 plus 1. Net income increased to a new record high 980 million, thanks to the support from the financial results, plus 14%. Free cash flow 488 million reported, and 515 if you take out the impact from M&A. We invested significantly 1.3 billion or 9.1% of our sales. The revised guidance for 2017 has been achieved and we have confirmed, and we want to again confirm today our Financial Ambitions. As most of you remember, during the Capital Markets Day last year we promised to give you not only our order intake and order book numbers but also the new business structure with three divisions, this will be part of my presentation and then I want to share with you a little bit more insight on the excellence program Agenda 4 plus 1 that is definitely more than a visual, it is our to-do-list for the next years, it is a long-term program, it has been increased to 20 initiatives and with this program we want too position and prepare the Schaeffler group for all future challenges ahead of us.

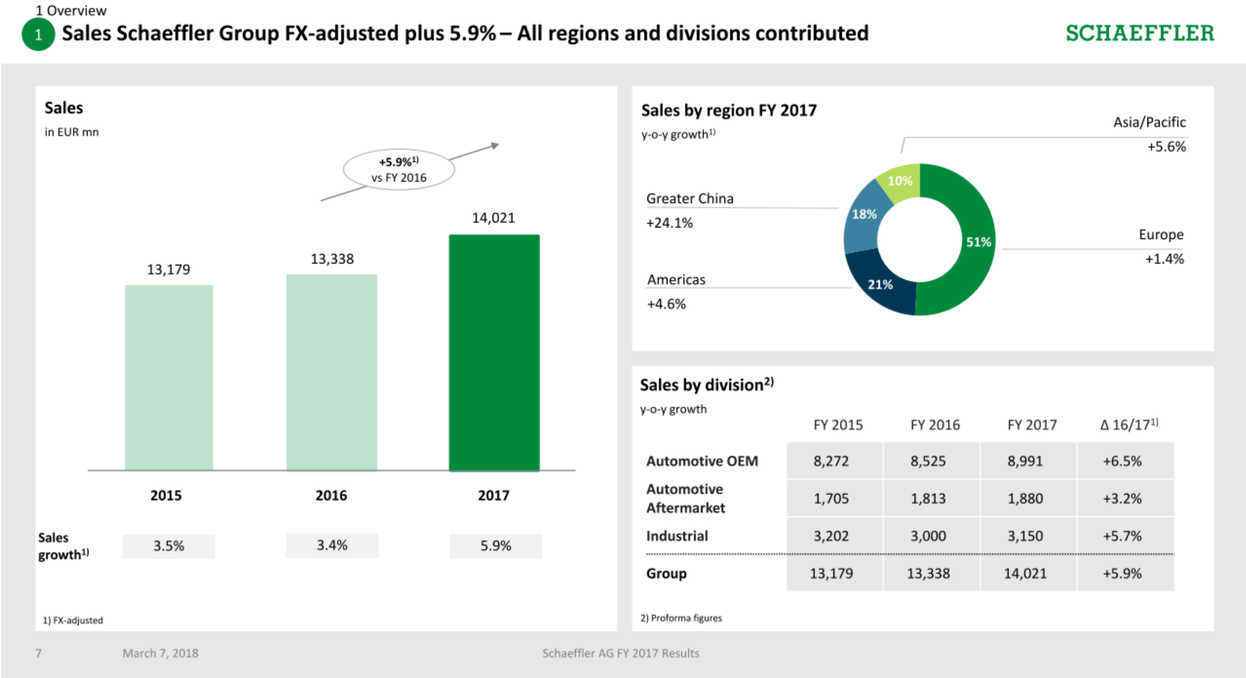


To the next page 5, I think you all heard about this already last Friday, the supervisory board of Schaeffler appointed Andreas Schick to become member of the board of managing directors, replaces Oliver Jung, who leaves us end of March 2018. Andreas is a colleague who has been with Schaeffler since 1994, he has spent many years abroad at the latest as regional CEO Asia Pacific, as such he is member of the Executive Board since 2014. He is very well positioned for this new role and knows how the Executive Board operates. I have full trust in his strength and experience, in particular to develop our operation area and make sure that operations in all the plants deliver the proper stability and the cost reduction we need.



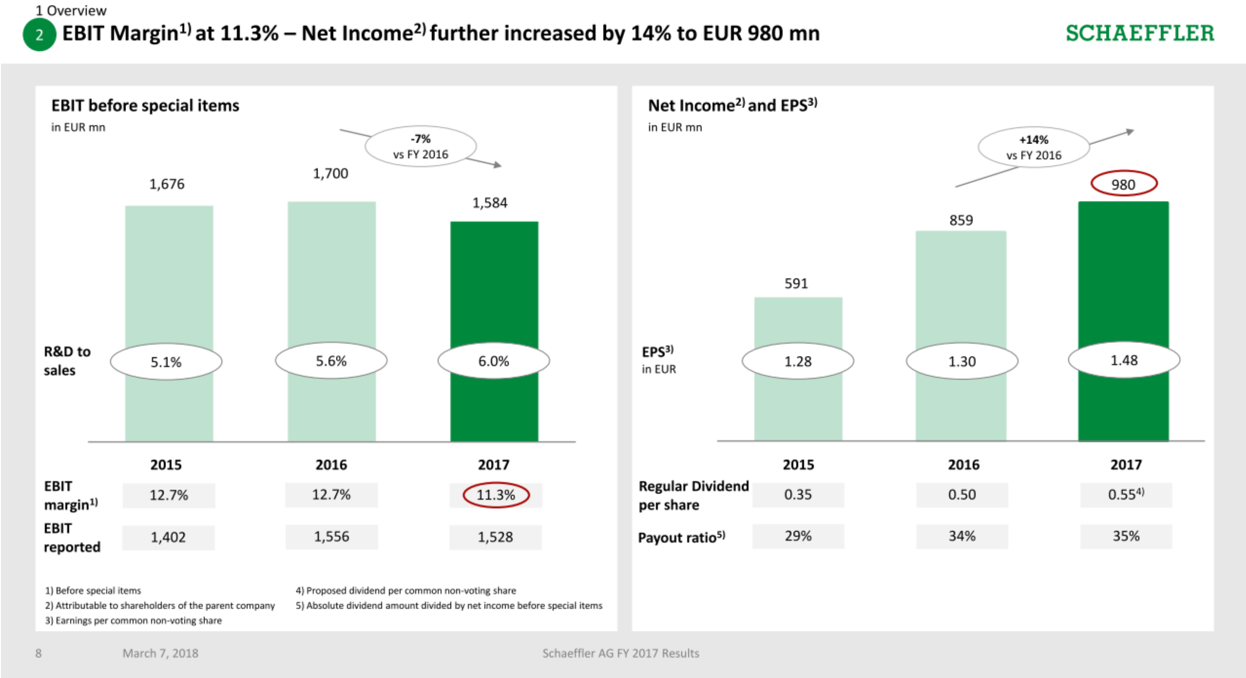
Page 6 is basically the summary of the year, this is a page that we are using internally, and it has more than the five key financial performance indicators that you know from our financial ambitions. The first line of these ten boxes has already been explained, gross earnings quality and cash flow, gearing ratio has achieved a level of 93%, that means net equity for the first time since some years is bigger than the net debt. EPS has grown by 14%, so I think that is all positive achievements, I will explain in more detail the earnings quality part when I come to Agenda 4 plus 1, and that is also related to the free cash flow. When we look at the year we don't only look at the financial performance indicators but also at some of the operating performance indicators. And there are some highlights and some lowlights here that I would like to share with you. Innovation is definitely a highlight, once again continuously now no. 2 in Germany, we have applied for 2380 new patents in 2017, that is even more than last year 2016, so a very positive achievement. Our quality and we measure quality externally by so-called PPM, that is parts per million or rejected parts per million, a standard measurement for quality. We are at a record level of 18 PPMs, that means 18 parts within a million of a potential defect or are rejected, that is a number that has now been improving year over year for eight years and it shows that we are definitely delivering on our promise to be a best-in-class quality supplier. Cost measured here by overhead costs was higher to some extent also driven by agenda 4 plus 1, if overhead costs increased by nearly 8% and growth only 6%, that has a negative impact on the earnings quality and we will come to that later on.

Then there are two other operating performance indicators, one is delivery performance – it is somewhere around 86%. What does that mean? 86% means that one sixth of all our deliveries are not on time. And when I say on time it means delivered according to the confirmed customer delivery dates, that is a number that indicates to you that there is stress in our supply chain. It goes hand in hand with the capacity utilization, we are sharing here with you a figure that we are using internally, what it says is that of the 292 production segments that we have on our plants, more than 40% are running at more than 18 shifts. And 18 shifts means that the plants are running six days three shifts at the minimum, that shows that we have in particular in the second half of the year been under significant pressure to deliver on the customer demand. That is also one of the reasons why the growth that came in has not led to the expected profitability, and if the supply chain is under stress, capacity is at the limit that also leads to special freights and other inefficiencies, Dietmar is going to explain that. It is one of the key reasons for the miss in Q4 with respect to profitability.



	FY 2015	FY 2016	FY 2017	Δ 16/17[1]
Automotive OEM	8,272	8,525	8,991	+6.5%
Automotive Aftermarket	1,705	1,813	1,880	+3.2%
Industrial	3,202	3,000	3,150	+5.7%
Group	13,179	13,338	14,021	+5.9%

Let me from there go quickly through the numbers, I think I mentioned on page 7 already the key highlights – what is important for us is that the growth is very well balanced across divisions and regions. You see on this page for the first time also the sales numbers, the pro-forma figures for three divisions and what should not come as a big surprise is that Automotive OEM is the fastest growing division, 6.5% without the Aftermarket, also shows you that we delivered on the promise to make 4% above the sales growth, Automotive Aftermarket is more a moderate growth business, 3.2%, as Michael shared with you during the Capital Markets Day and Industrial came back strongly in the second half, particularly in the fourth quarter with 5.7% growth, the regional figures are at the upper end of the page.



On the page 8 on the margin, again as I said before, the margin came down to 11.3%, the EBIT before special impact was 1.584 billion, that is 7% less than last year. If I again look at the main reasons here, as I said before, it is our Agenda 4 plus 1, the Agenda 4 plus 1 has impacted the EBIT line by 159 million in 2017, there was a little bit of impact in 2016 already, that is in the 30 million range. If you deduct that from the numbers that we are showing here, you get to a number that is definitely above 12% EBIT margin and that indicates to you that our running business that has nothing to do with the Agenda 4 plus 1 is definitely performing at the same level as it has done before, somewhere between 12 and 13, despite the challenges that Dietmar is going to share with you. Net income, I think I've already mentioned, a record result, EPS up by 14%, we will propose to the annual general meeting also an increase of our dividend per share, exactly mid-point of the promise pay-out ratio 35%.

3 Free Cash Flow EUR 488 mn – Capex ratio increased to 9.1%

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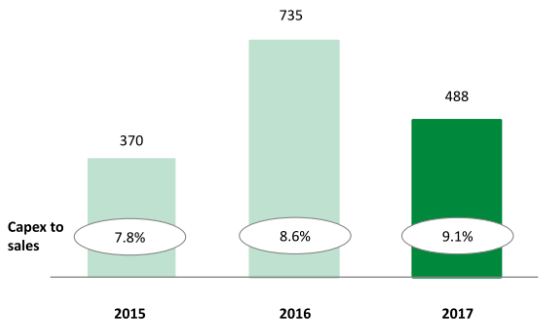
Free Cash Flow
in EUR mn

FCF excluding M&A EUR 515mn



	2015	2016	2017
Capex	1,025	1,146	1,273
FCF conversion Ratio[4]	16%	30%	22%

1) Including payments for legal cases, restructuring measures and financing transactions
2) Capex in major logistic projects Aftermarket Kitting Operation (AKO) and European Distribution Center (EDC)
3) Cash in- and outflows for M&A activities
4) FCF before M&A to EBITDA before special items

Key aspects

- Free Cash Flow decreased from EUR 735 mn to EUR 488 mn due to lower profitability and higher capital expenditures
- Capex to sales at 9.1% in FY 2017 (8.6% in FY 2016)
- Receivable Sale Program with EUR 150mn positive impact on FCF in 2nd half 2017

FCF Details
in EUR mn

	FY 2015	FY 2016	FY 2017	Δ 16/17
FCF as reported	370	735	488	(247)
Non recurring items[1]	215	97	175	78
AKO / EDC[2]	0	16	120	104
M&A[3]	0	0	27	27
Receivable Sale Program	0	0	(150)	(150)
	585	848	660	(188)

Free cash flow, page no. 9, 488, I think more important here, the capex to sale up 9.1% or 1.273 billion. I think we have shared this little table here throughout the previous calls with you. If you analyze the free cash flow in more detail and start with the reported figure of 488 for the full year 2017, that figure includes 175 million from what we call non-recurring items. This is in particular what we are paying for legal cases that we provided for or restructuring measures like the Core 1 or core 2 provisions and also financing transactions. There is within the 488 an extra investment that goes into AKO, the operation for Aftermarket, part of the Agenda 4 plus 1 and what we call European distribution center, a project that is more or less completed in terms of its spent, the 100 million that you see here mean 30 million for AKO and about 90 million for EDZ, that will not be part of the capex line going forward. M&A 27 million, that is basically a combination of the money that we spend on the 2nd half of the Compact Dynamics but also the cash inflow from selling smaller activities, and then we have, you know this from the third quarter and from the presentations that we gave afterwards, we have sold receivables I think for BNS purposes we have taken this out as well. If I take the 660 million free cash flows after taking out these four line items, you see that the number is well intact. On this page we have introduced a new figure that we will use going forward also as an indicator that the operating free cash flow generation power is intact. A free cash flow conversion ratio that basically takes the free cash flow before M&A by 15 over the EBITDA before special items, you see due to the investments spend it is below the previous year where it was 30%, standing at 222 at the moment and I think that is a very decent number going forward, if you look at the underlying free cash flow that we just analyzed, the 660 would mean 28% of our EBITDA turns into free cash flow before M&A.

4 FY 2017 Guidance[1] achieved – Financial Ambitions 2020 confirmed

	FY 2017	Guidance FY 2018	Financial Ambitions 2020
Sales Growth	+5.9% FX-adjusted ✓	5-6% FX-adjusted	Ø 4-6% p.a. FX-adjusted
EBIT Margin	11.3% before special items ✓	10.5-11.5% before special items	12-13% before special items (in 2020)
Free Cash flow	EUR 515 mn before M&A ✓	~EUR 450 mn before M&A	~EUR 900 mn before M&A (in 2020)
Earnings per Share	EUR 1.48		~EUR 2.00 (in 2020)
Gearing ratio [2]	93%		<75% (in 2020)
Dividend payout [3]	35%		30-40%

Market assumptions 2018

- Automotive OEM: Growth of global passenger car production of around 2%
- Automotive Aftermarket: Stable growth in the global vehicle population and a nearly unchanged average vehicle age
- Industrial: Slightly higher growth in industrial production in 2018 than in 2017

1) Revised guidance as of June 26, 2017 2) Ratio of net financial debt to equity incl. non-controlling interests 3) Payout ratio based on net income before special items and on dividend proposal of 55 cents

Page 10 is just there to confirm once again our Financial Ambitions, I will talk about this later on in the section with the five questions. You know the guidance, we prerelease this so that it should not be something completely new. What is new here is only the hint that all of this is based on market assumptions, the environment is challenging but we confirm guidance and financial ambitions based on these assumptions.

1 Overview

5 New business structure with 3 divisions – More transparency, more accountability

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New business structure

	Automotive OEM (64%[3])	Automotive Aftermarket (13%[3])	Industrial (23%[3])
Divisions	Automotive OEM	Automotive Aftermarket	Industrial
Business Divisions	Engine systems	Europe	Europe
	Transmission systems	Americas	Americas
	E-Mobility	Greater China	Greater China
	Chassis systems	Asia/Pacific	Asia/Pacific

Key aspects

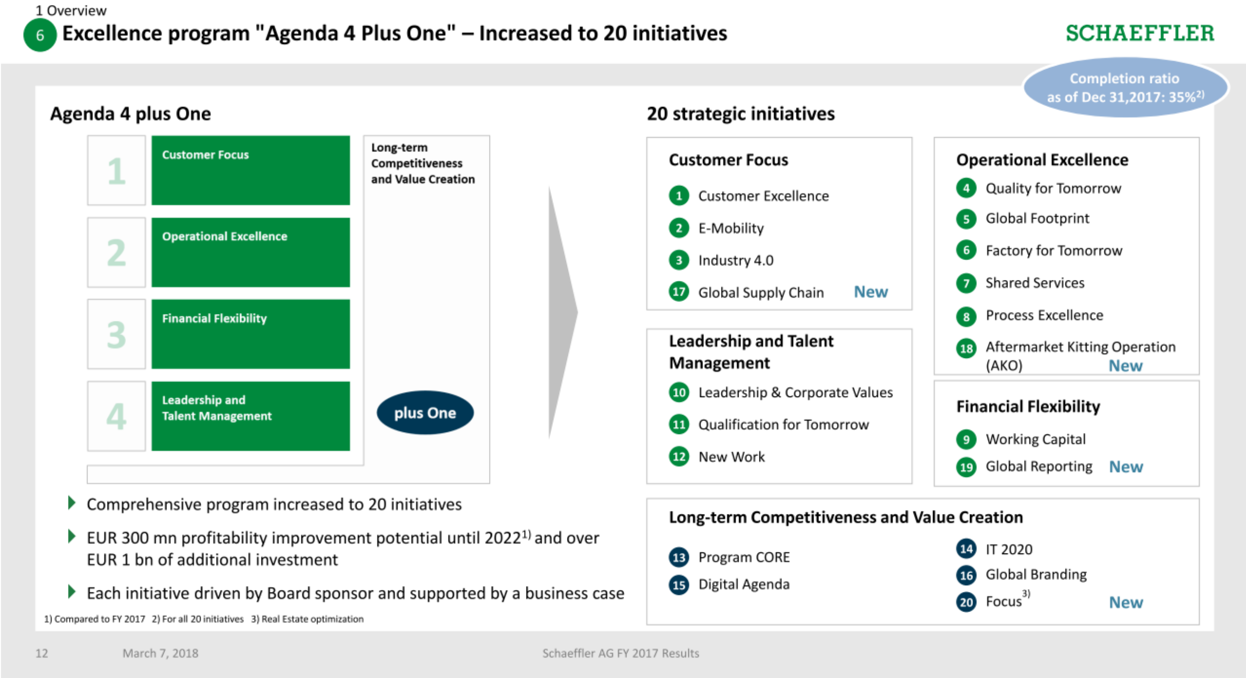
- New business structure with 3 divisions
- Automotive Aftermarket reported separately as of January 1st 2018
- Automotive OEM with new business division E-Mobility

1) FX adjusted
2) Before special items
3) in % of Group Sales 2017
4) Proforma figures

Key performance indicators

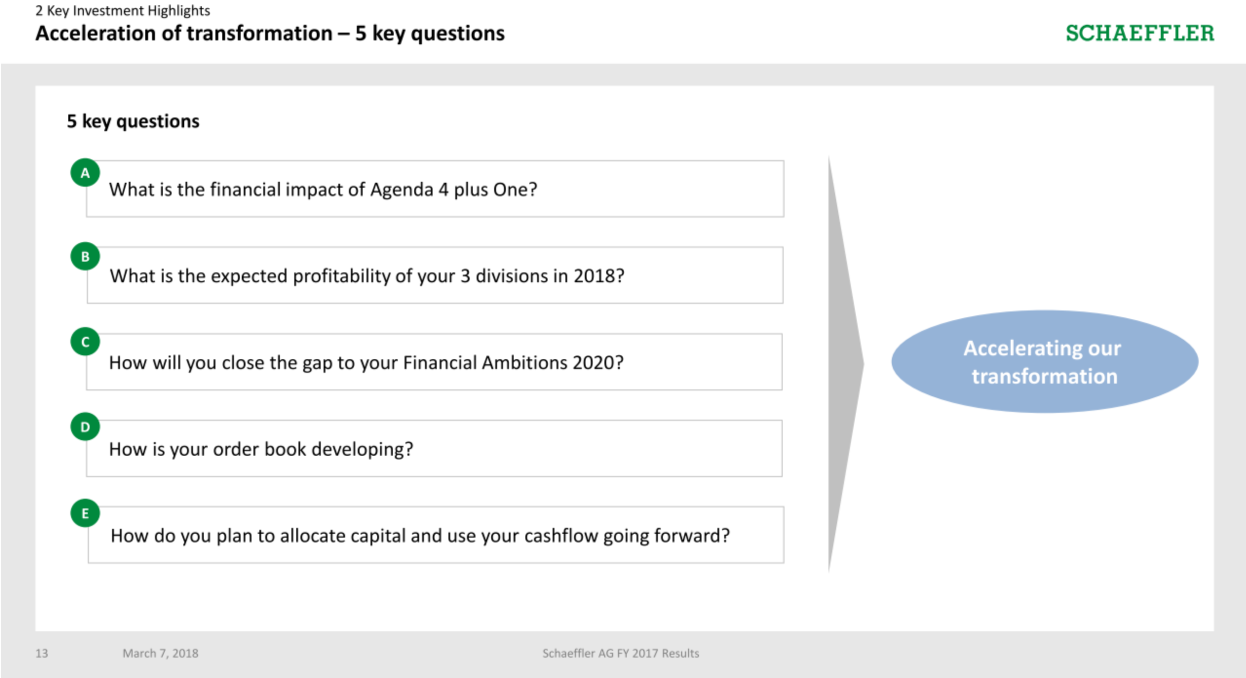
		FY 2016[4]	FY 2017[4]
Automotive OEM	Sales[1]	8,525 mn	8,991 mn
	EBIT[2]	1,095 mn	973 mn
Automotive Aftermarket	Sales[1]	1,813 mn	1,880 mn
	EBIT[2]	386 mn	358 mn
Industrial	Sales[1]	3,000 mn	3,150 mn
	EBIT[2]	219 mn	253 mn

Next page is then on the business structure, I think you know that already we have realigned the structure, 3 divisions, Automotive OEM managed by products, product lines and Automotive Aftermarket and Industrial managed by regions. You have the numbers here, they are also in the backup, the quarterly figures for the three new divisions, both for Sales and for EBIT so you can properly fill your models.



Page 12 is the Agenda 4 plus 1, we started to share with that with you in 2016, we have worked hard in 2017 to make this program more complete. We have increased the number of initiatives, also reacting to some of the weakness that I just mentioned, like the global supply chain issues. Some of these initiatives are running for quite some while, E-Mobility is definitely nothing new but it is part of this program. The program is a long-term program, it is dynamic, if there is a need for an additional initiative we will put an additional initiative in. We have now for the first time put some numbers around it, you can see in the bullet points here that the target is to improve our profitability until 22 by 300 million, so if you take the minus 160 that are in the numbers today you can more or less calculate what the improvement potential means for our P&L going forward. Please note that this is not 2020 but 2022, that is where the full financial impact of these initiatives will come true. You also see that the program requires investment of a billion, also until 2022 and I can say here just to put a bit of flavor around it, half of this or around half of this will come from E-Mobility. Another 100+ will come from the factory for tomorrow, our future factory that we are building in China at the moment and around 180 will come from the advanced kitting operations that I just mentioned, all the rest is then related to the other 17 initiatives. The improvement potential, the 300, comes from a variety of initiatives, as explained more than 90% of the delta, E-Mobility is one of them, core is definitely one of them, the shared service initiative that we have just initiated and provided for is one of them, quality for tomorrow is one of them, industry 4.0 a big driver, that is more or less the twin brother of E-Mobility with respect to Megatronic competence, the key elements that will help us to drive profitability is clearly the digital agenda where the business cases are more short-term and where immediate impact can be generated.

And that leads me to this last bullet point here, this is as I said before, not a visual, this is a very strict to do list that the board has committed to, it is a road map going forward, each initiative is driven by a board sponsor, and supported by a business case so we will be able to share with you also in the future on an on-going basis what is happening with the agenda, how does it impact our result and how we are delivering on our promises. Ladies and gentlemen, yes, there may be quarters where there is here and there some fluctuation in numbers, but the key is that this is long-term and that we on a long-term basis generate value for the Schaeffler group and for you as shareholders.



Let me go to page 13, after the reaction to the pre-release for February there were clearly a lot of questions coming up and I tried to group the questions here into five key topics. The first one is what is the financial impact of this Agenda? The second one is what is the expected profitability of your three divisions in 2018 and how will you close the gap to your financial ambitions 2020? We have also added the order book, you were all expecting that number as we promised in the capital markets day and then there is a last page on the capital allocation and the use of our cash flow going forward.

A "What is the financial impact of Agenda 4 plus One?"

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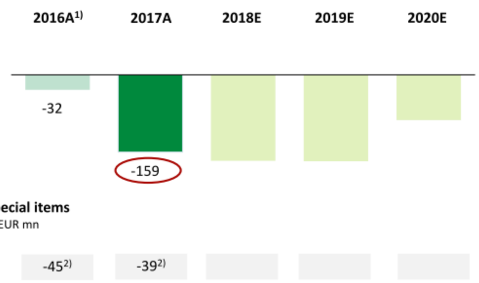
Financial impact Agenda 4 plus One
in EUR mn

EBIT impact before special Items
in EUR mn

Special items
in EUR mn



1) 2016 based on the already started initiatives in 2016
2) Provision for CORE II of EUR 45m in 2016, provision for Shared Services provision of EUR 39m in 2017

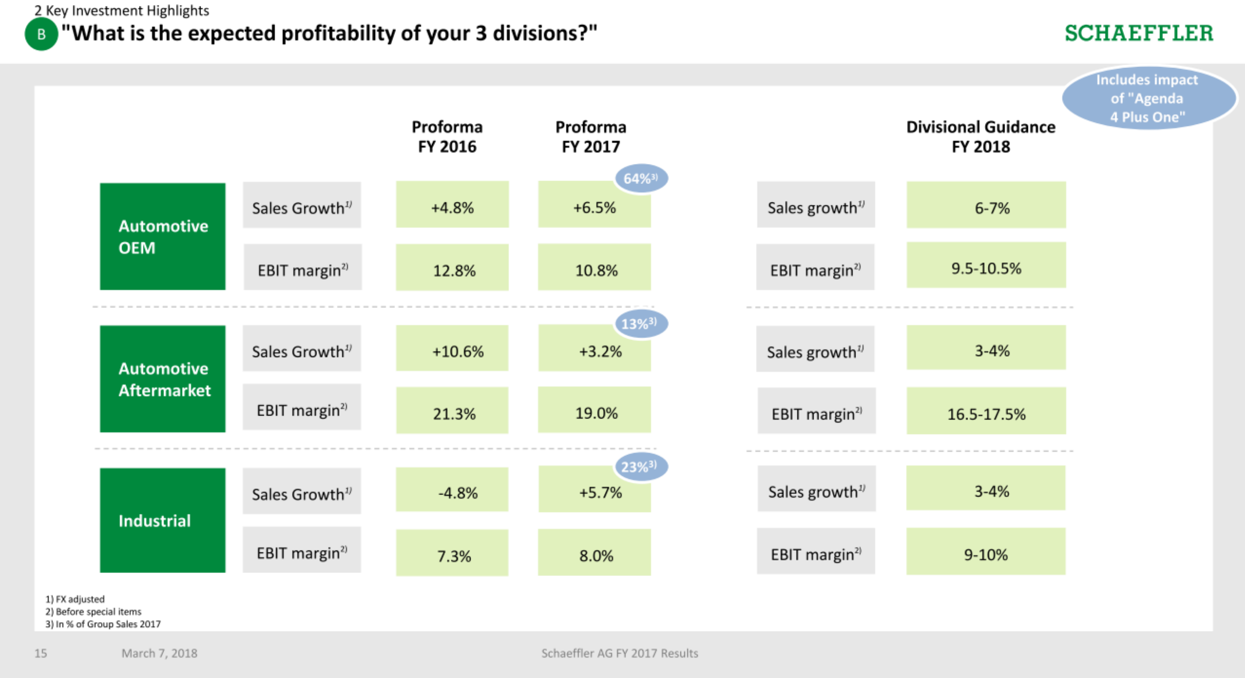
Key aspects

- Agenda 4 plus One with its 20 initiatives led to EUR 159 mn expenditures in 2017 reducing the EBIT before special items
- Total profitability improvement potential of Agenda 4 plus One of EUR 300 mn until 2022
- Guidance 2018 includes financial impact from Agenda 4 Plus One

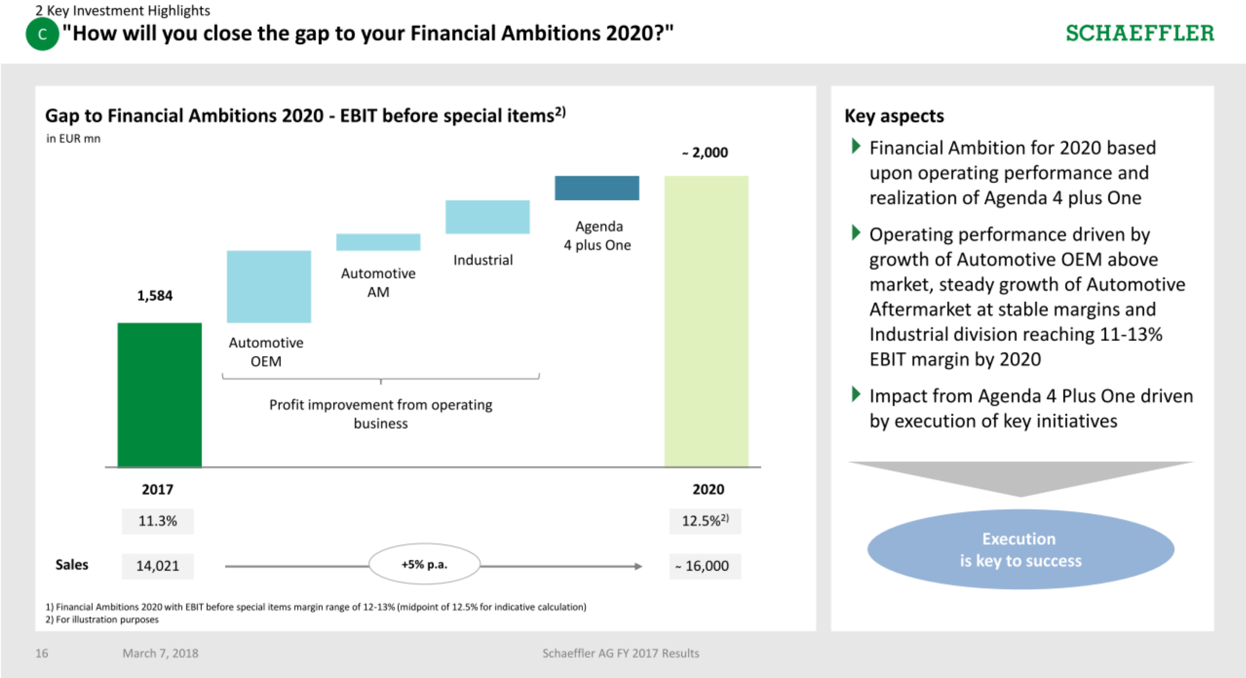
P&L Details
in EUR mn

	Actual 2015	Actual 2016	Actual 2017
Sales	13,179	13,338	14,021
thereof Agenda 4 Plus One	0	50	70
EBIT before special items	1,676	1,700	1,584
EBIT margin before special items	12.7%	12.7%	11.3%
thereof Agenda 4 Plus One	0	-32	-159
Special Items	-274	-144	-56
thereof Agenda 4 Plus One	0	-45	-39

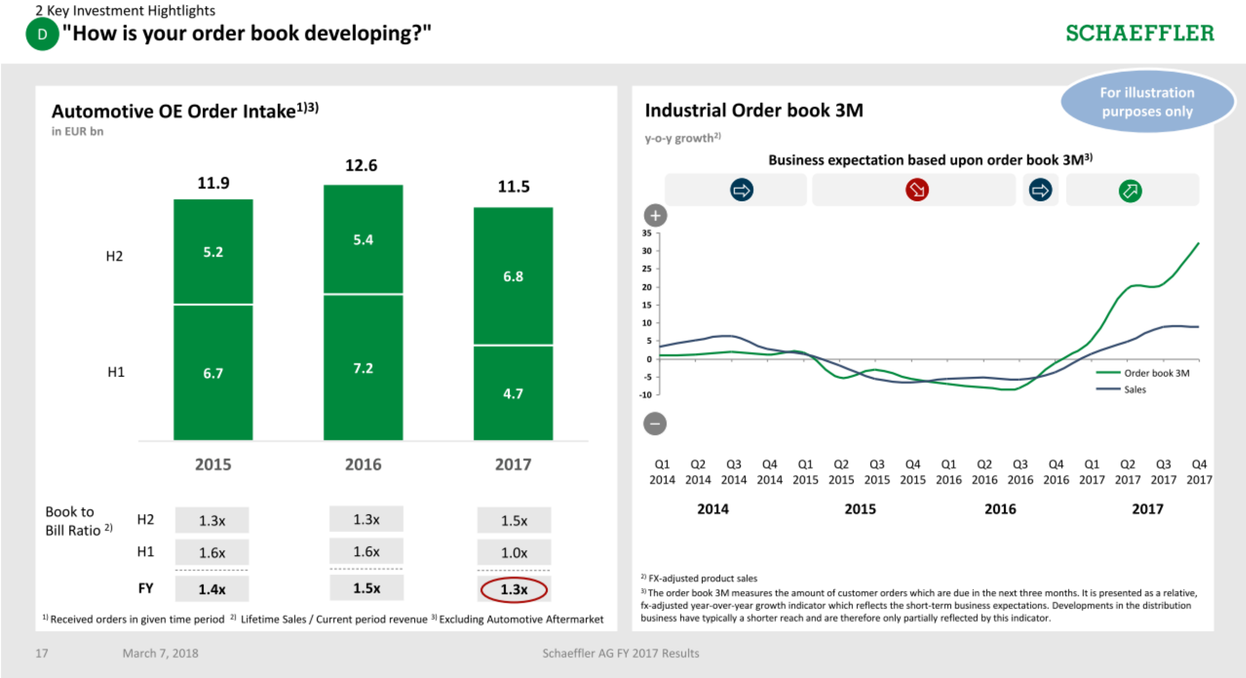
Page 14 explains the impact, I have already said it before, within the EBIT before special items, you have 159 million impact from the 20 initiatives, the bulk of that impact comes from E-Mobility, there is also positive impact from the core initiatives and a smaller part comes from all the other initiatives that are still gaining speed, so you can see here that E-Mobility is a key driver of that reduction in our profitability and EBIT margin. You also see that this is not only impacting the EBIT line, it is also impacting the sales line in 2017 70 million of sales were generated by the agenda 4 plus 1 initiatives, and it is also relevant for the special items, in particular the restructuring provisions, the 39 million is basically the restructuring provision for our shared service initiative that you have seen before. In terms of capex, when we come later to that point, let me add here that around 85 million in 2017 if the capex is related to the agenda 4 plus 1, the agenda is part of our guidance, there were questions about this, the impact here is included and also explained why the guidance for next year is maybe a little bit more conservative than you expected. This program will have a similar if not a little higher impact on the P&L in 2018 and 2019 going forward.



The second question was expected in terms of profitability, you see the numbers here – hopefully nothing that comes as a big surprise, that is always what we indicated. If you split Automotive division into 2, the Automotive OEM part is the mid-point somewhere around 10%, the Automotive Aftermarket is clearly the most profitable business that we have, the mid-point being 17% here, you see and those of you that follow the share for longer know that from the past, 2016 was an exceptional year, exceptionally strong growth driven by OES business where large customers in Germany and in the United States asked for extra supply of transmission products. We were able to deliver this and that led to a significant margin increase, above 20%, that is not normal. (**21:24**) That was an exceptional year, so please don't extrapolate from that number. When you look at the divisional guidance going forward, 16.5 versus 17.5 as the range compared to the 19%, why is that lower? It is lower because we are also including some of the initiatives, in particular the advanced kitting operation initiative in our year 2018, and clearly also our activities to grow the Aftermarket business in Asia Pacific, in China, impacts the margin, so it is not a downturn in steps. We think that the 16.5 is definitely a good bottom line for this business going forward. Industrials, I think you have seen that the fourth quarter was compared to the other three quarters in 2017 a little disappointment and that is why we have become a little bit more cautious here, we promised 10 to 11 and we have reduced this by percentage points to 9 to 10 to make sure that we really catch up on this gap that was resulting from the weaker Q4. The long-term target of 11 to 13% has not been changed.



Page 16, on the Financial Ambitions there are here and there concerns, I don't think so, I think that this is definitely an achievable target, but it is ambitious. And it is not a guidance in a technical sense, but it is what we want to achieve. Not every company dares to share financial ambitions with the market, but I think it is important to drive this company forward as I said, execution is key, let me give you a little explanation why I think the 2 billion for 2020, that is just for illustration purposes on this page, again technically not a guidance is achievable. And it is a little calculation, start with the actual numbers for 2017, 14 billion of sales, 11.3% margin and around 1.6 billion of EBIT before special items. If I just let the company grow by 5% on average per year, what is if you look back at the last 10 years, definitely a doable number, it is rather on the lower end of our guidance, I end up somewhere around 16 billion. If you remember that we said 12 to 13% as a financial ambition, EBIT before special items and if I take the mid-point here, 12.5%, I end up at 2 billion. That leaves us with a gap of 400 million and here is how we are going to close the gap: If the Automotive OEM business grows in the next three years by 6% from its current base and achieves before the impact from Agenda 4 plus 1, its normal rate of 13% that gives you around 225, 230 million of the gap, so it is the biggest part of achieving our guidance. If I do the same calculation and let the Automotive Aftermarket and Industrial business grow by the mid-point of the range of 2018, 3.5%, if I then sort of assume the profitability for 2018, as I target I end up with another 80 million, so I can say of the 400, three quarters of this should be covered and closed by the profit improvements in particular growth-driven from our operating business. That leaves me with 100 million that I need to generate from Agenda 4 plus 1, and again without going into detail I think that is definitely a doable number, so once again if you need more explanation on this I am happy to share that with you, also during the road shows, but the 2 million from my point of view is definitely an achievable but ambitious number.



No. 17, order book, again this is a new financial indicator for us, we promised during the capital markets day that we will share that with you on a continuous half-year basis. You see from this slide on Automotive OEMs and Aftermarket order intake does not make any sense, that we achieved an order intake of 11.5 billion with a strong second half, 6.8 billion, a weaker first half, again we said to you, our business is not driven by quarters, so the half years should not be over-emphasized. What is important, we achieved a book to bill ratio of 1.3 times, yes that is a little weaker than in 2016 and a little weaker than in 2015, but it is a solid number going forward, if you go into the details here and look through the different book to bill ratios in the business divisions it is a very well-balanced mix of order intake, also from a regional perspective. It is high-quality, and we think it will give us enough confidence that the growth plans for the next years can be achieved.

On the Industrial sides, we don't measure order intake, it is not a project-driven business, it is more a delivery business there, the order book this year explained for three months customer orders that fall due in these three months. Here it is a more relative FX-adjusted growth indicator, which reflects short-term business expectations, Dietmar can explain that in more detail, this should not be taken by the number but more by the indication that we are expecting further growth in that business. In fact, what you see here that order book 3 months and sales deviate a bit, shows that there is a bit of extra heat within the system.

E "How do you plan to allocate capital and use your cash flow going forward?"

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Free Cash Flow Analysis

in EUR mn

FCF generation

	Actual 2016	Actual 2017	Guidance 2018
EBITDA	**2,293**	**2,295**	
Capex	-1,146	-1,273	
Others	-412	-534	
FCF [1]	= 735	= 488	
M&A	0	+27[4]	
FCF before M&A	**= 735**	**= 515**	**~ 450**
FCF Conversion Ratio[2]	30%	22%	

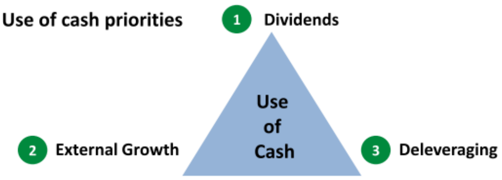
FCF allocation

		Actual 2016	Actual 2017	Guidance 2018
	FCF before M&A	**735**	**515**	**~ 450**
1	Dividends	-329	-330	-361[3]
2	M&A	0	-27[4]	
3	Deleveraging	-137	-500	
	Others & FX	+3	-31	
	Δ Cash	**= 272**	**= -373**	
	Cash EoP	1,071	698	
	Gearing Ratio[5]	132%	93%	

Key aspects

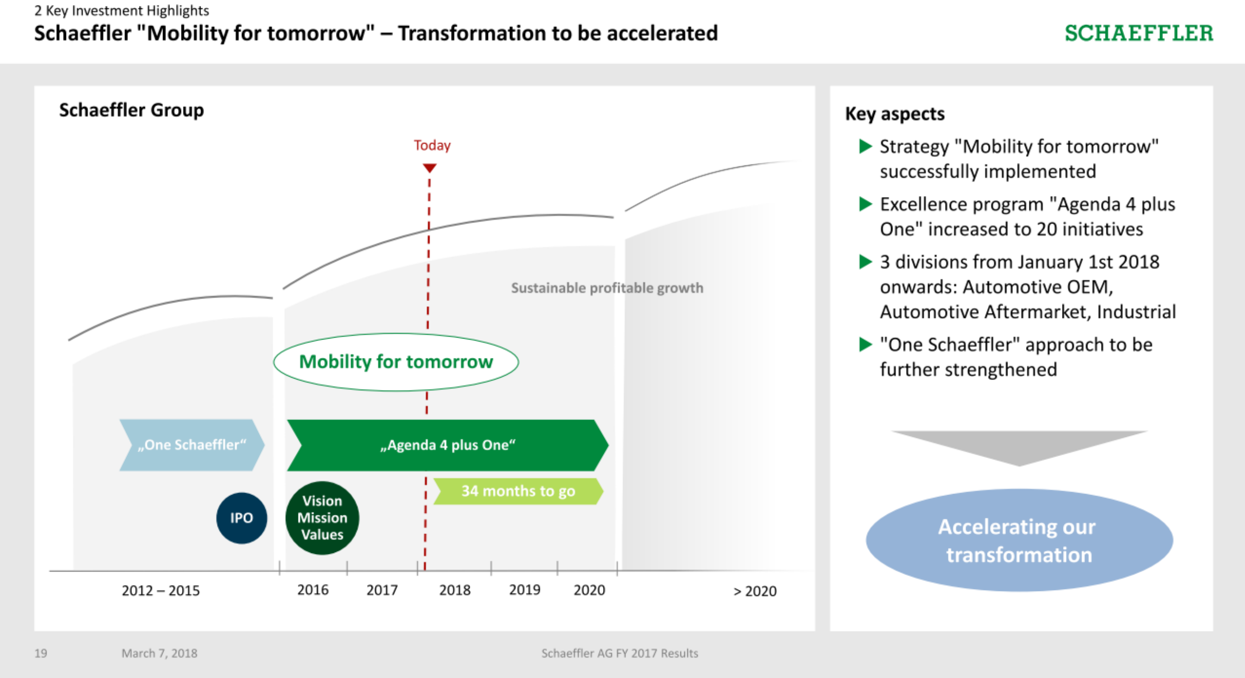
- Schaeffler Group generates significant Free Cash Flow from its operating business
- Schaeffler Group finances organic growth from internal cash generation, external growth shall be financed by external debt
- Dividend continues to remain first priority (30-40% payout ratio)

Use of cash priorities



1) As reported 2) FCF before M&A to EBITDA before special items
3) Dividend proposal to the AGM
4) Net balance of acquisitions and divestitures
5) Ratio of net financial debt to equity incl. non-controlling interests

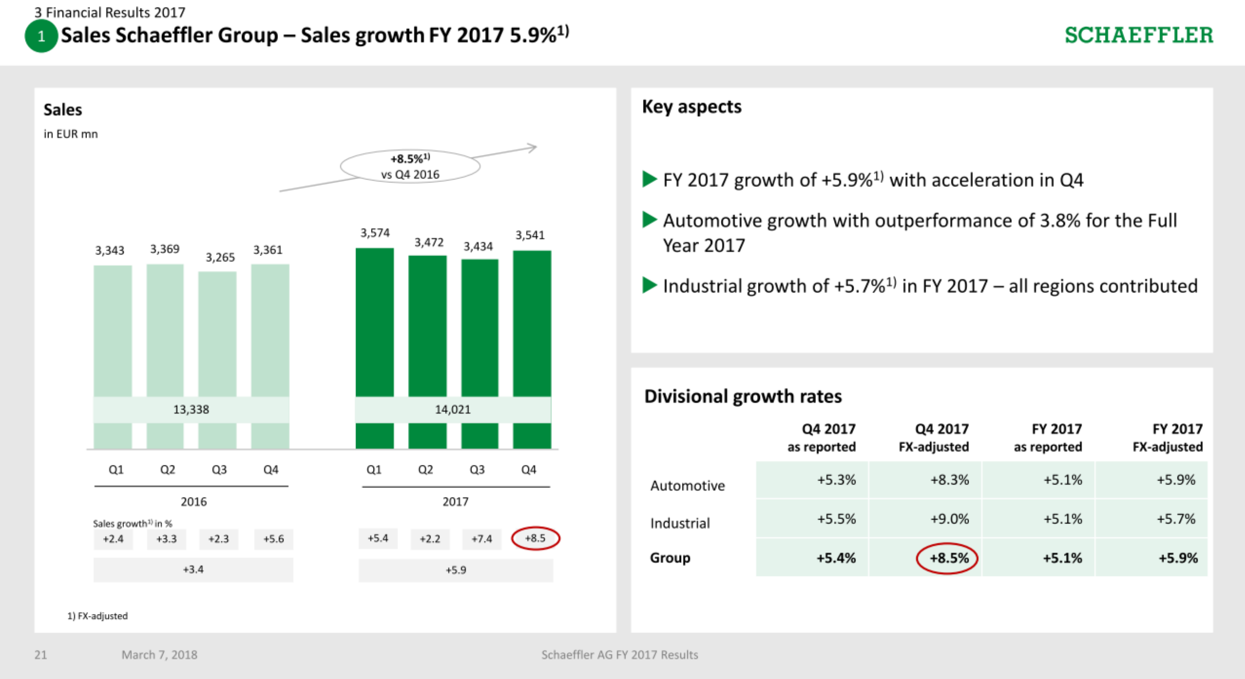
Last page, how do we plan to allocate our capital and use our cash flow going forward? You will notice this table here; the key idea is that dividend is our first priority. We changed here compared to the previous presentation that you saw, external growth becomes the 2nd priority, and deleveraging the 3rd priority, we are a cash generative business with strong cash conversion ratios, 22%, if you look at the FCF before M&A as the main indicator, 550 million, then 330 of this was used for the dividends proposed to the AGM last year, 27 was spent on M&A, and 500 was used for deleveraging. If you look at the delta cash, we reduced cash by 373 million and that also means that we deleveraged from reducing cash balances. The gearing ratio is at 93%, so definitely on track to achieve the target, once again dividend remains our first priority and you saw that the proposal to the annual general meeting was exactly the mid-point of the range, 30 to 40% payout ratio.



With this let me come to my last page: page 19, I just want to emphasize again, we are following a long-term plan, based on this strategy, Mobility for Tomorrow, that is successfully implemented, we have our program with the 20 initiatives that we are delivering to. We have three divisions from 1 Jan. going forward, hopefully giving you more transparency. For us internally a key step also to increase accountability for delivering the promised results. And let me also say this at the end of my part, we will follow and continue to follow a One Schaeffler approach. We have an M&A strategy in place that is focusing on smaller additive technologically driven acquisitions, we are not going to split the company, we are moving and pulling it together to generate synergies and leverage on the competence that we have, in particular the megatronics type, the one Schaeffler approach will help us to also support the program and accelerate our transformation going forward. With this I hand over to Dietmar for the more detailed explanation of the numbers.

Dietmar Heinrich

Thank you and good afternoon, let me get more into the details and actually I do not want to do this with page 20 but already move on to page 21.

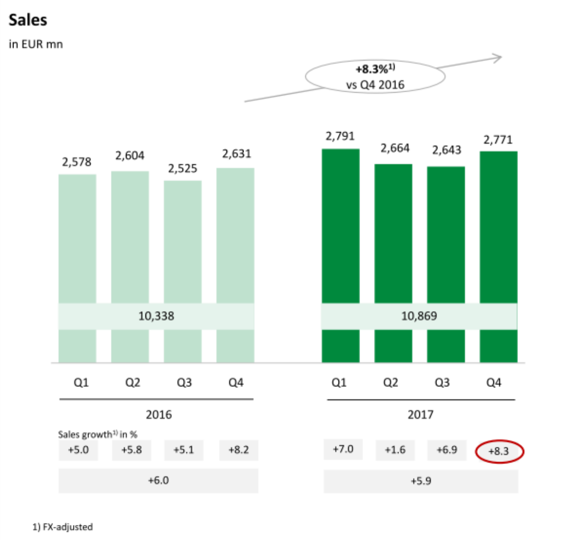


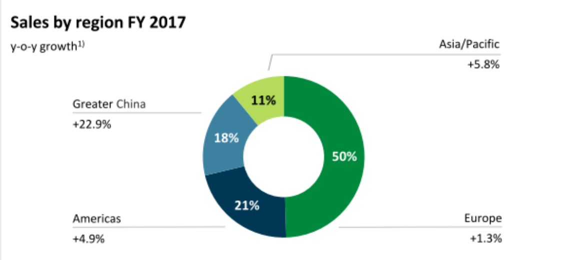
Getting to the point that Klaus already mentioned or explain from a big picture looking to the group sales development so that you can see that actually we did not just achieve the 5.9% growth but also, we accelerated our growth in the 2nd half of the year with a good 3rd quarter and even stronger 4th quarter, being supported by both divisions. And again, highlighting we finally achieved our out-performance target for the Automotive area as well as we already indicated and said before.

3 Financial Results 2017

1 Sales Automotive Division – Sales growth FY 2017 5.9%[1)]

SCHAEFFLER





Sales by business division

y-o-y growth (w/o FX effects)

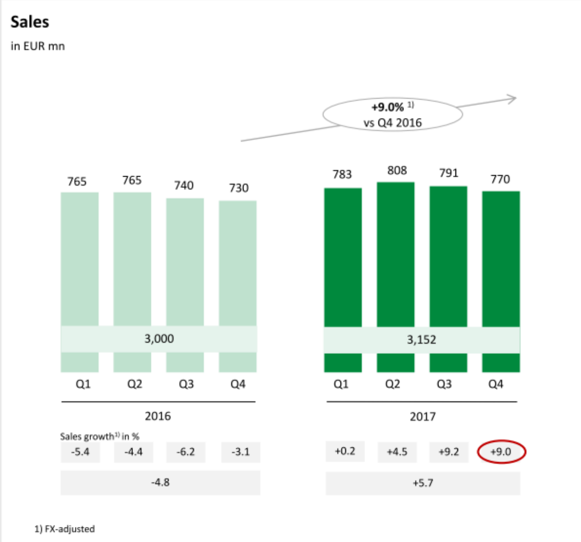
	FY 2016	FY 2017	Δ (w/o FX effects)	Q4 2016	Q4 2017	Δ (w/o FX effects)
Engine	2,646	2,787	+6.7%	686	718	+9.1%
Transmission	4,346	4,620	+7.4%	1,130	1,192	+8.7%
Chassis	1,533	1,588	+4.2%	390	415	+9.0%
Aftermarket	1,813	1,874	+3.2%	425	446	+6.5%
Total	**10,338**	**10,869**	**+5.9%**	**2,631**	**2,771**	**+8.3%**

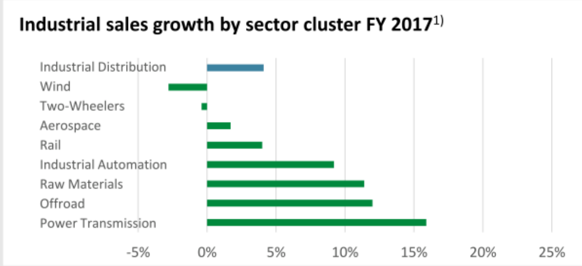
Moving on to page 22 and getting a little bit more into the details of the Automotive division, you can see exactly this acceleration in the 2nd half of the year, quarter 3 to quarter 4 as well and you can also see that actually all the divisions or business division, be more precise, contributed to this but also the regions contributed to this. There was a very strong dynamic coming from China, which actually contributed on a year base with 23% on FX adjusted base but we can also see that the other markets also contributed.

3 Financial Results 2017

1 Sales Industrial Division – Sales growth FY 2017 5.7%[1)]

SCHAEFFLER



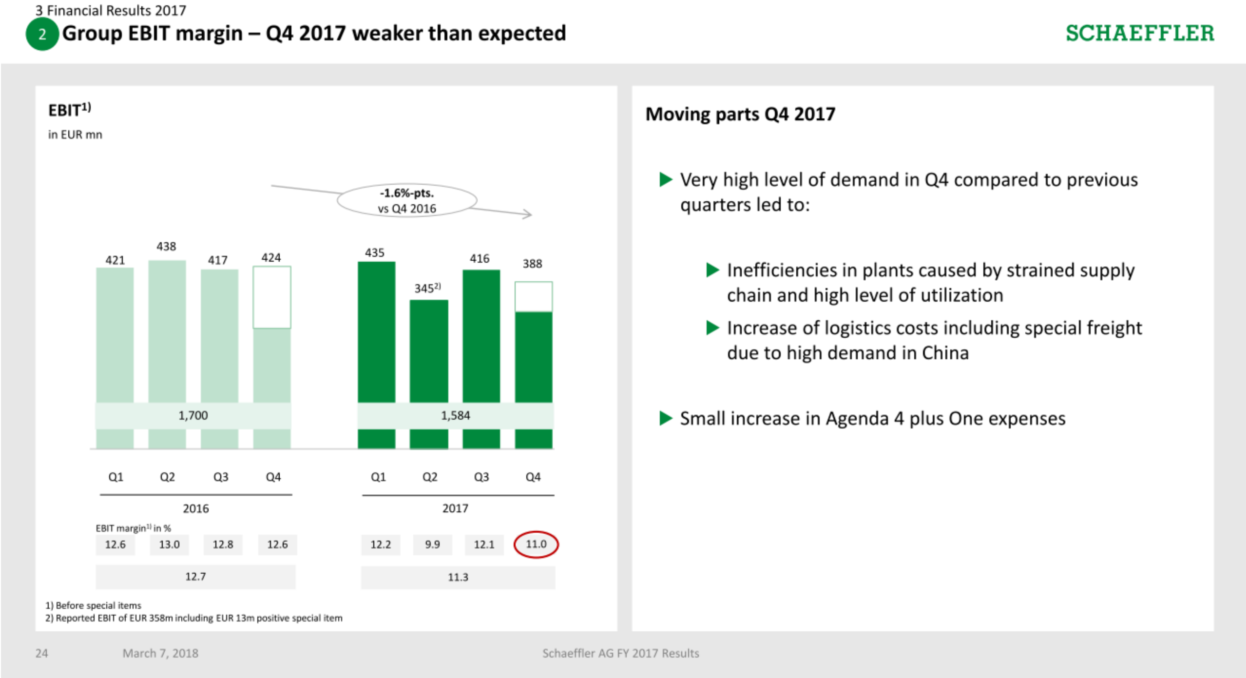


Sales by region

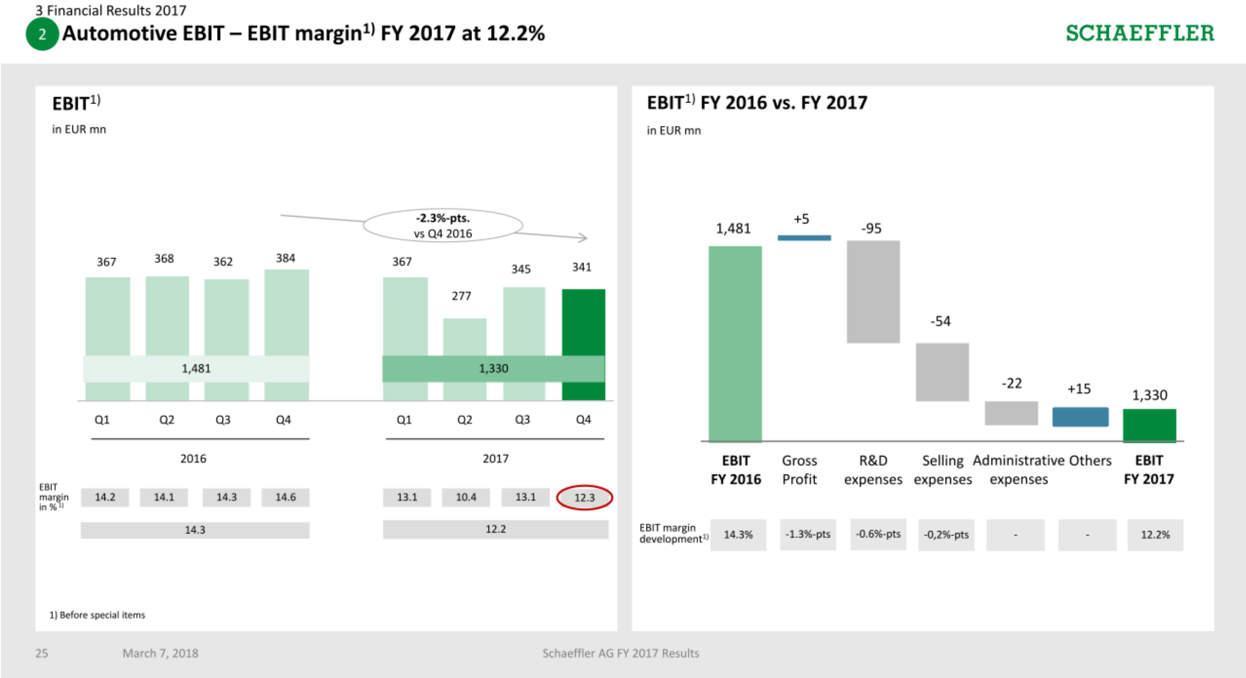
y-o-y growth (w/o FX effects)

	FY 2016	FY 2017	Δ	Q4 2016	Q4 2017	Δ
Europe	1,772	1,803	+1.7%	420	435	+4.5%
Americas	561	575	+3.3%	139	135	+4.7%
Greater China	378	472	+29.3%	99	122	+32.2%
Asia/Pacific	289	302	+4.9%	72	78	+14.4%
Total	**3,000**	**3,152**	**+5.7%**	**730**	**770**	**+9.0%**

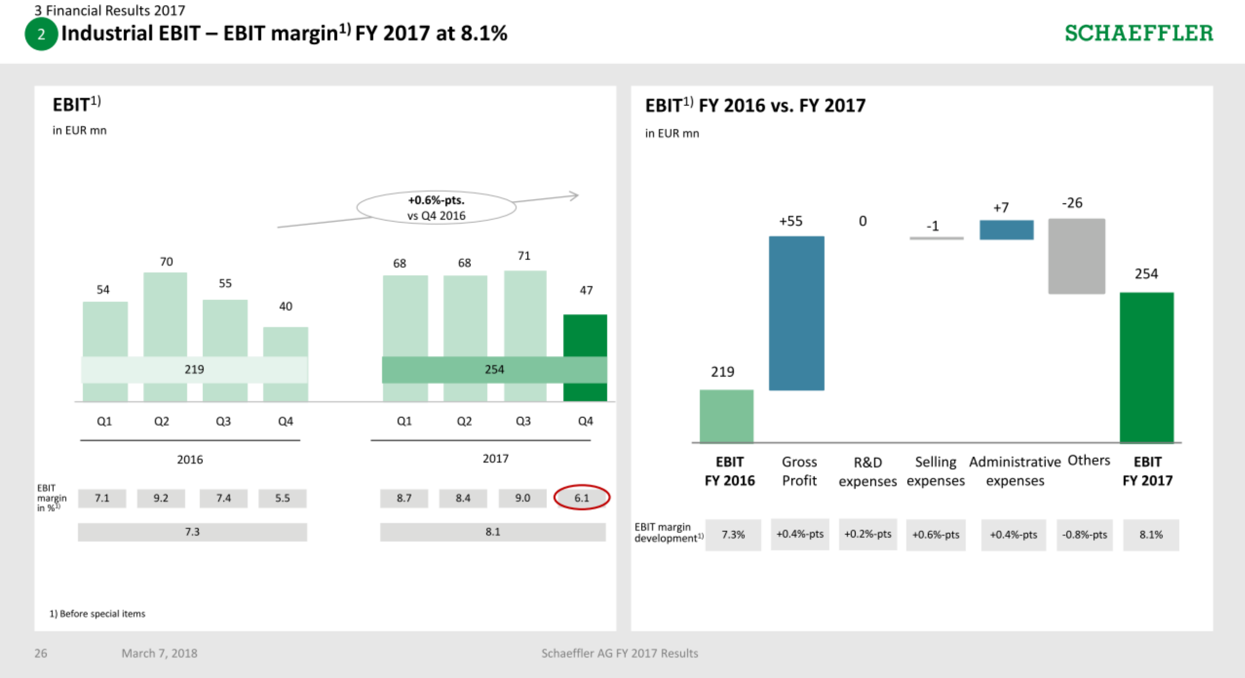
Then moving on to page 23 and to the Industrial sales division, this is I think really good for us compared to the previous year where actually our Industrial business was developing in a bad, disappointing way so we got back to a growth story and you can see that actually we have (inaudible) in the first half of the year, we also accelerated quite a lot for Q3 and Q4 getting up to the level of 9%, which finally led to a growth of 5 and when looking to the upper right part of the chart you can see that actually this is in a broad way driven by various sectors. We have out of our eight sectors plus distribution four of these Industrial sectors which have actually been growing by 10% or more and Powertrain transmission which is a strong one out of these sectors, especially strong and you can also see that the growth for supported by all regions again, similarly as Automotive influence in a very dynamic way with the growth coming from China.



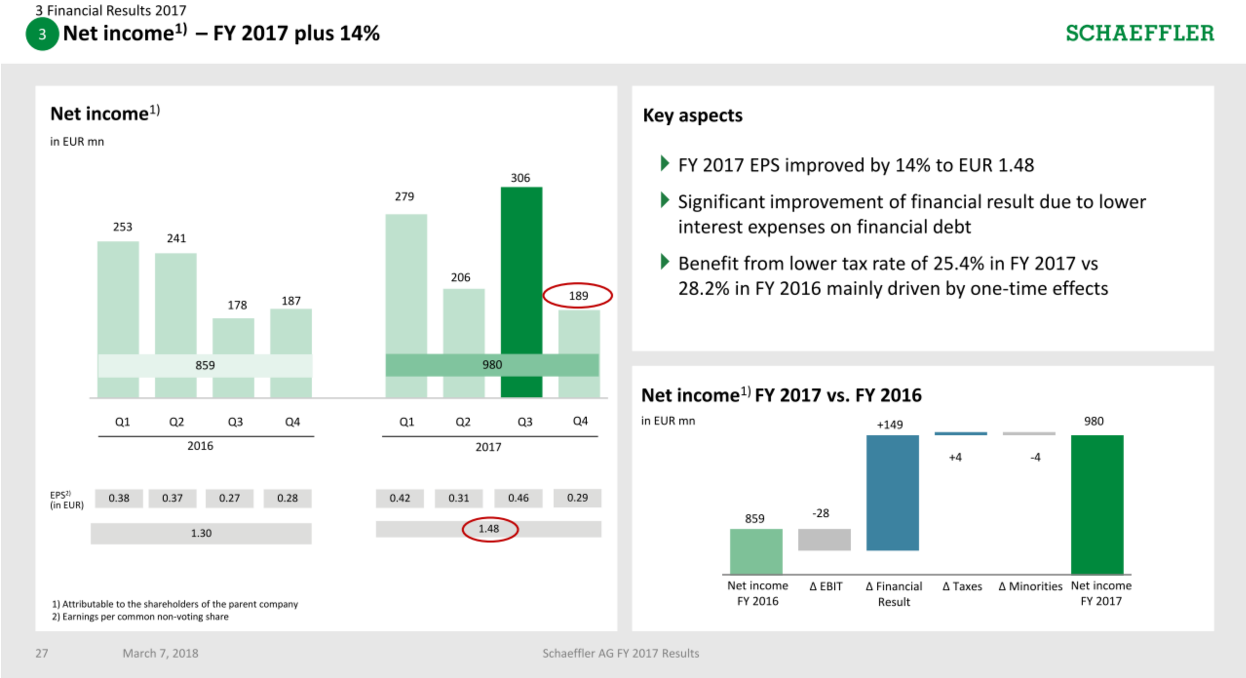
Look to the little weaker part on page 24, this is our EBIT margin development and first of all looking to the full year we can see that actually with 11.3% we got out in the range which we provided with our revised guidance mid of year, so actually we met our targets in that regard, you can also see that our fourth quarter was weaker than you might have expected after the 3rd quarter but nevertheless was a solid quarter with some areas of improvement. An influence in the 4th quarter was especially coming from the (33:26) that Klaus already highlighted as well, so that when you have to handle customer estimations you cannot continue the production as you do normally. You have to switch them between production laws, you have to stop and restart, you are losing a lot of inefficiency in that regard and so that actually cost us quite a bit of money so that we could not maintain the level that actually we achieved in the 3rd quarter, also on the fourth quarter, but we established our investment program for this year, also to catch up with the high utilization of the production segment, close to 200 million euro investment of 2018 are dedicated to bottlenecks in the factories. It will need a certain time until this becomes effective, we initiated a program actually already in September but normally for machinery there is a delivery of around one year, so the impact with further improvements will then mainly happen in the 2nd half of the year. And you can also see that we are taking this matter serious, Klaus already referred and explained on the Agenda 4 plus 1 and you can see that out of the 20 initiatives in the Agenda 4 plus 1, 6 initiatives are focused on operational excellence and additionally we have the core project which actually is also margin improvement, but not listed under operational excellence but listed under the aspect of long-term profitable growth.



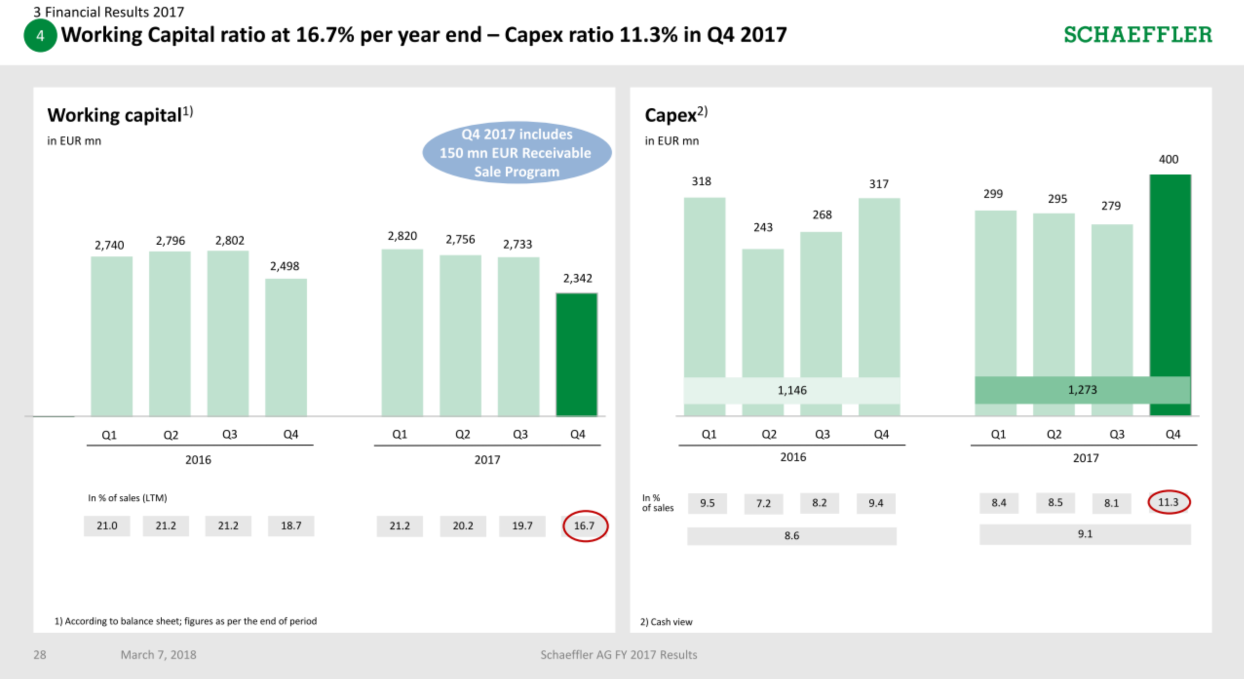
With this being said let me move to page 25 to give a bit more insight into the division, you can see that Automotive in the 4th quarter with an EBIT of 12.3% was a little bit weaker but in line with the full year figure and you can see on the right side then what actually influenced our profitability in the Automotive area in 2017 and you can see that with the major part being caused by the additional R&D expenses amounting to EUR 95 million, that actually from my point of view not a negative view, this is our investment into the future, this is our investment into E-Mobility, this is our investment also in further efficiency improvement for the internal combustion engine which actually our customer needed also to be able to meet the requirements which are actually coming from the various governments. But you can also see a little bit more on the negative side that our selling expenses increased, a significant impact in there coming from special freights and we have an increase in administrative expenses which is also caused by the agenda 4 plus 1 which Klaus already explained the full year impact.



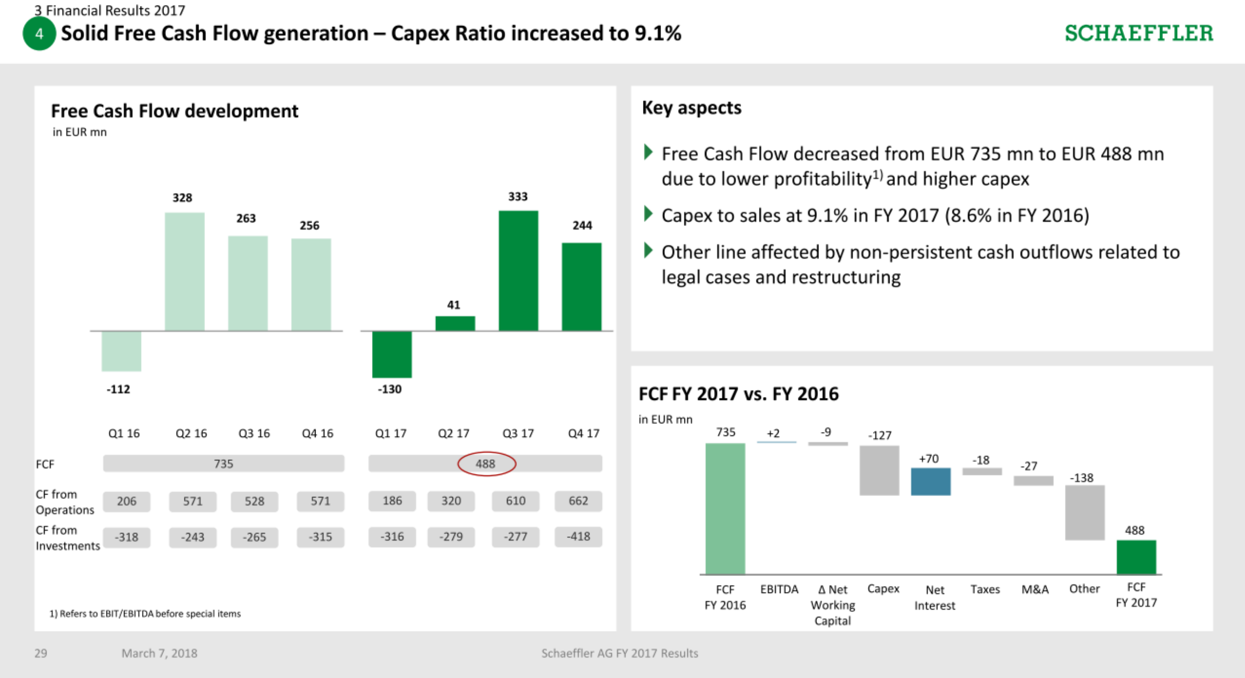
Let's move on to page 26 to have a view of the Industrial development, yes we have a disappointing development in the 4th quarter, with an EBIT margin just of 6%, nevertheless for the whole year 8.1% which is an increase by around 3.8% points compared to previous year. And you see on the right side where we have the impact. So we have significant contribution from the gross profit side, there is a path coming from Q2, you can see that on the R&D selling and administrative expenses we have a positive impact amounting to 6 million euro, and this is despite the fact that the business has grown by 6%, we are highlighting that the core implementation is working well and we have been able to realize this growth based on the solid foundation that (unclear 37:24) organization and we are able to move forward now with growth without having then to realize significant additional expenses. So this is just to highlight that our CORE implementation is going on and that in line with the core implementation especially CORE 2 that we provided during the Capital Markets Day and afterwards we are expecting additional contribution for 2018, and you can see on the right that we have other impacts which had a negative influence to the profitability where we see some impact due to the lower level of localization that we have in the Industrial business.



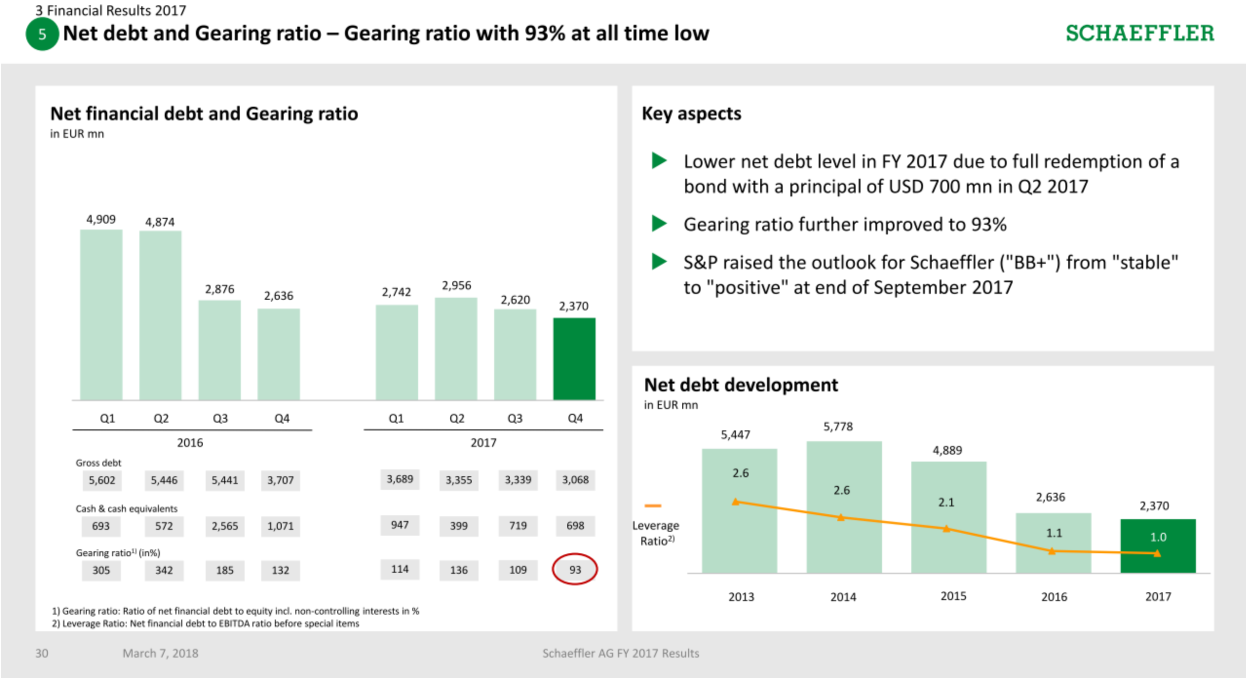
Now moving to page 27 you can see again from my point of view a bold, a strong number, we realized the net income of almost 1 billion euros, this is the highest ever net income that the Schaeffler group realized. As Klaus highlighted we want our shareholders to participate in our annual general meeting then to increase the dividend so that they can also get their fair share, and you can see on the lower right side that actually despite a negative impact coming from the EBIT decline we had an over compensation coming from an improvement in the financial result. We are actually the refinancing the first half of the last year contributed and also impacts coming from the previous year.



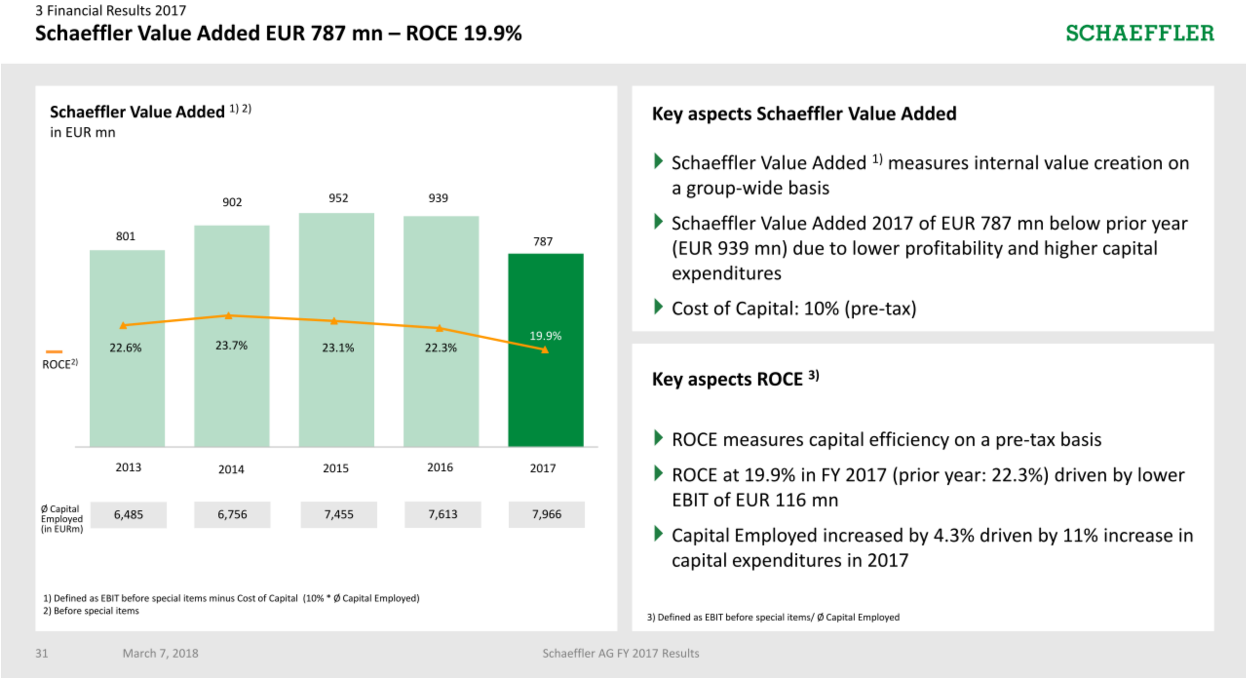
Moving on to the cash flow side and starting first with the operational side, on the working capital we have a significant improvement from 18.7% of sales as per 4th quarter of 2016 to 16.7% for 4th quarter 2017. This improvement already includes 150 million euros coming from our receivable sale program which we already started to implement in the 3rd quarter, operation then in the 4th quarter but also considering the growth, actually you see that we compensated the growth with an amount that is equal to another 150 million euro efficiency gain in the working capital management which from my point of view is a very positive development. On the right you see our capex spending, we increased our capex to almost 1.3 billion euro in 2017, you can see that again the 4th quarter was on a high level and that we achieved a level of 9.1% of sales with investments basically going to factory expansion, capacity increases, to enable further growth. E-Mobility and strengthening the distribution network with the European distribution center for Industrial and the Automotive Aftermarket operation with the Automotive market.



The result can be seen on page 29 with free cash flow being achieved of 488 million euro, if you exclude as Klaus explained the M&A payout that we did in 2017 we would even gross 500 million euro and with this also we are again on a good way, not just too support dividend payment or realize further deleveraging and with this been said actually looking to page 30 you can see that starting from Q1 2016 to Q 2017 we reduced our net financial debt by more than 50%, almost to around 2.5 billion euros, that reduction so that finally our gearing ratio is at 93% and you could also see from the financial ambitions that we targeting to do even more reduction in the future.



Moving to my last page 31, when you read through our financial report, our Geschäftsbericht, you will realize that Schaeffler value add and ROCE are key aspects for us in regard to how we manage the company.



You can see here on that chart that actually with the investment that we did in the past and looking ahead, we increased our capital employ and of course this in conjunction with the reduced profitability, the lower profitability, is having an influence not just on the Schaeffler value added but also on the ROCE which we used to measure our capital efficiency. But actually you can also see this in our financial ambitions when you do the mathematics, we provided, definitely we do not target to remain on a level below 20%, we want to get up again to a range above 20% where we have been before, and that is actually all from my side, so Klaus I hand over to you.

Klaus Rosenfeld

4 Outlook

FY 2018 Guidance SCHAEFFLER

Group Guidance
published on February 1st

	Group
Sales growth	5-6% FX-adjusted
EBIT margin	10.5-11.5% before special items
Free Cash Flow[1]	~ EUR 450 mn

\+

Divisional Guidance
published on March 7th

Automotive OEM	Automotive AM	Industrial
6-7% FX-adjusted	3-4% FX-adjusted	3-4% FX-adjusted
9.5-10.5% before special items	16.5-17.5% before special items	9-10% before special items

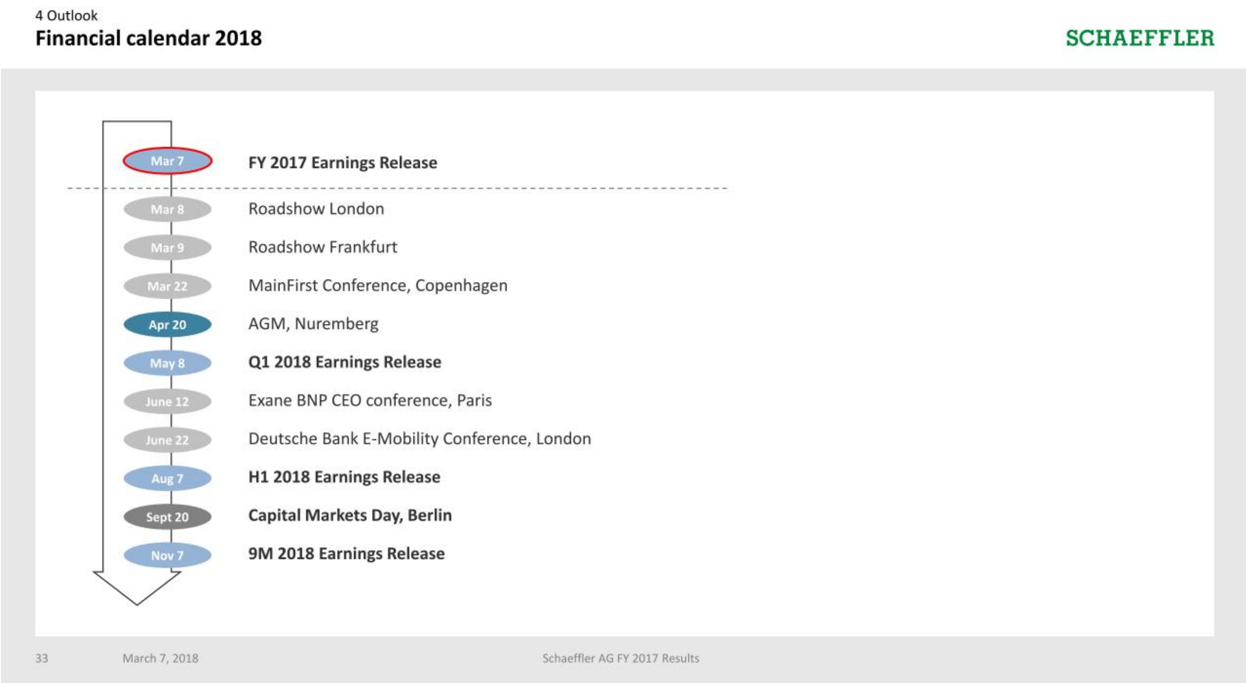
Market assumptions

- Automotive OEM: Growth of global passenger car production of around 2%
- Automotive Aftermarket: Stable growth in the global vehicle population and a nearly unchanged average vehicle age
- Industrial: Slightly higher growth in industrial production in 2018 than in 2017

1) Before cash in- and outflows for M&A activities

32 March 7, 2018 Schaeffler AG FY 2017 Results

Just to finish, you have on page 32 the outlook again with the guidance for the group and the guidance for the divisions, I think most of this was mentioned, it is there to conclude the presentation I want to use the last page to share with you the main milestones on our financial calendar, page 33, we are going on a roadshow to London tomorrow and then Frankfurt on Friday.



We are on the main 1st conference in Copenhagen where Renata is going to be accompanied by our head of industrial, the ATM in Nuremberg will be on April 20 and we want to cordially invite you and will share with you Q1 results thereafter, followed the B and P conference in Paris and the Deutsche Bank E-Mobility conference, very interesting, in the 2nd half. Our capital market day this year is not in July, it is in September, Renata has changed it, it is in Berlin. Please note the day, September 20, by then we will certainly be in a position to talk about the first half in detail, we will give you an update on the strategy on our program and once again I would like to state here that this is a program is important to us, it will pave the way for continuous success in the future. We are committed to this program to deliver a compelling return and it is clearly something that we will manage also after the experience in the 4th quarter with strict accountability towards all of those who have to deliver in this program. With this I thank you for your attention and I hand to Renata for your questions.

Q&A SESSION

Tom Swift, CreditSights

Hi, good afternoon. I have a question with regards to deleveraging. I can see that you have some of the IHO and some of the bonds that Schaeffler financed, that are callable this year. So is there anything to be done on that side? Thank you.

Klaus Rosenfeld

Okay, you are asking about whether Schaeffler finances the vehicle that we are using to issue bonds? We have no plans at the moment that we can share with you about any financing transaction. If that would change we will definitely inform the market accordingly.

Christian Ludwig, Bankhaus Lampe

Mr. Rosenfeld I have a question on slide 14 and 16 on the financial impact of Agenda 4 plus 1. You talked about 1 billion of investment required to get this done – is this investment capex or are we talking cost that goes for the P&L? Question 2 is, if I look at those two slides page 14 and 16, you told us that you expect 100 million benefits by 2020 from Agenda 4 plus 1, at the same time if I judge this by rule of thumb you also expect roughly 100 million of cost and financial impact from 4 plus 1 in the same year as well. Is that the correct way to look at this?

Klaus Rosenfeld

Let me answer the 2 questions in a row. First the one billion that I mentioned is capex, it has nothing to do with the 160 million EBIT impact, surely capex at some point in time becomes depreciation but again these are two separate numbers. The 2nd question again is how do you read the 300 million improvement potential? We are starting with -160 in the year 2017, and that is included in the number 1584 on page 16. What I am saying is that by 22, not by 20, all the initiatives should be more or less just been delivered, the full impact comes 2 years later, what is not unusual, by 22 we want to improve by 300 million. Now the question is, what does it mean in 2020 is what I have done here, a backup of the annual calculation and say it confirms, leading to 2 billion of EBIT before special items and I can explain the gap of 400 million around 3 quarters by the normal running operating business that is not impacted by agenda 4 plus 1, another 100 has to come from this. That means on the way to 2022 that is the improvement potential that is in this, and I think it shows you and I cannot give you now a guidance for 19 and 20, I cannot share my full plans with you, I am just trying to do a plausibility check that this is achievable because there were concerns about this, the agenda will impact the year 19, there will be probably a higher negative number than in 17, because E-Mobility will cost money or the initiatives will cost money and we need to see how big the delta is between the 2017 number on page 14 and the 2020 number will be. That is exactly the dark blue gap that you see on page 16.

Christian Ludwig, Bankhaus Lampe
But would it be fair to say that you are expecting by 2020, I know not the full 300 million yet, but despite still having to deal with some cost and net positive effect already for your earnings by 2020?

Klaus Rosenfeld
No, look we look at the delta, the delta is the most important number, I am saying we are going to prove profitability from 17 to 22 by 300 million and if you start with minus 160, that means the target is that in the year 2020 there should be 140 million plus. But going through the years, the 140 million is not going to happen in 2020. If you assume my calculation of 100, again, that is a back of an envelope calculation, not more, then the number in 2020 that you see on page 14 should be minus 60.

Christian Ludwig, Bankhaus Lampe
Okay, a quick follow-up on the working capital: The 150 million that you have or sold by your sales program is that something that we should take as a going concern item of yours?

Dietmar Heinrich
It is a matter that we are actually carrying forward, so we are doing this on a revolving weekly base, so we are maintaining that level of 150 million-euro receivables that are sold continuously.

Klaus Rosenfeld
To add to this this means on a cash flow statement basis that is a one-off, so you are not going to get another minus 150 or an addition to the free cash flow by 150 this year, you are basically doing it on a revolving basis so there won’t be any big fluctuation for the positive or the negative from this number.

Kai Mueller, Bank of America

Thank you very much for taking your time, just two if I may. The first one just to come back to those investments, I understood in the beginning you have pulling forward some investments that you were possibly planning in 2019 into 18 steps (echo!) – should we foresee a bigger step-up in 19 than to get to your 2020 targets? Just a clarification as well, it means your 450 million basically free cash flow guidance does not include incremental 150 in receivable sales? And thirdly – what I want to tackle as well in terms of pricing, last year it was difficult in Q2 and Q3, how has that developed most recently and can you give us a little bit of a flavor in terms of how that is changing between your traditional products and your new products for the 48 volt world?

Klaus Rosenfeld

Let me start with the questions on the Agenda 4 plus 1 and Dietmar will take the pricing question, you are right for 2018. You can expect that capex will continue to grow, we had 9.1% capex to sales and again we are not giving guidance on this but as indication I can imagine well that this number in 2018 is even higher than the 9.1%, and it has to do with these initiatives, in particular with AKO and EDZ where we are giving you the number for the initiative directly, but that will to some extent come back to a normal level that is probably somewhere between 8 and 9% going forward. If again if you look at the investments spent, I said a billion for the overall program, again that is a number until 2022 and I can give you a bit more insight and say around 500 million is related to the E-Mobility capex, not EBIT impact, but capex, that is nothing that should come as a surprise, we have said this before. It has to do with the build-up of the competence centers around the globe and it is also related to building the necessary manufacturing lines. 110 comes from the factory for tomorrow and around 180 comes from the investment what is very much logistic investment AKO, so it gives you a bit of content here what is behind the 1 billion. I want to use the opportunity to mention the R&D spend because some of you were concerned that the R&D spend is rocketing, it is also clearly driven by E-Mobility, but you saw for the full year 2017 it was more or less 6%. We have given you a range to 6, 6.5% for the next years, and again it confirms that there will be gradual improvement here, but it is nothing that is going to change dramatically the picture, it is a gradual improvement, the more the system driven products come to the surface the more that will play a role. Don't forget that was part of the reason in the 2nd quarter we always try to ask our customers to compensate us for the extra R&D. With this I hand over to you for the pricing question.

Dietmar Heinrich

Okay, in regard to the pricing I would first of all differentiate between industry and Automotive. When looking to the Industrial area we already implemented price increase for distribution business in June last year, and as a beginning of this year. In addition, we are now, and this is a matter of individual negotiation between us and our customers, the prices in the OE business as well. And so far, we can also see that our competitors are acting in a similar way and we are having confidence that we are able to push this through. In regard to the Automotive business I would like to follow a bit your approach of differentiating between old and new approach and the old products we have the usual price pressures, I don't see this in a specific way changing. And in regard to the new product I also do not feel that it is a specific pressure in the pricing, it is more for us getting the efficiency into place that we normally have to do when we develop new products where we need a certain amount of time until we produce a best-course and then are able to realize actually the profits. I hope this answers your question.

Kai Mueller, Bank of America

Okay, a follow-up on the receivables, so the 450 does not include any incremental receivables?

Klaus Rosenfeld

Correct, the 450 is without any incremental sales of receivables, so basically assuming that we can continuously refinance the 150.

Ashik Gurien, Jefferies

Sorry to come back to your 2020 Ambition and the 4 plus 1 cost but if I understand correctly you had 2020 plan is based on the cost-related to (unclear) like you mentioned going down by at least 100 (unclear) but you mentioned at least half of that has to do with E-Mobility, which would include higher R&D costs. I would have expected that to go up if your target is increasing the number of orders on E-Mobility and maybe get involved with more projections, so maybe if you could just give us some color as to what is the year level of the top line or the order intake on E-Mobility that you are facing into the 2020 plan? Is there a scenario where orders do pick up on E-Mobility so that you would have to come back and say the cost associated with that would be higher and hence the 2020 targets would need to be reset?

Klaus Rosenfeld

Well, it is a very good question and a very good observation that this is not only cost but the full P&L that plays a role here when we come to the impact of the Agenda 4 plus 1. Let me before I come directly to this question once again say the Agenda 4 plus 1 is a program with 20 initiatives. And E-Mobility is only one of them, in terms of cost it is probably one of the most important ones, but we are doing 19 other initiatives of a different size and character, customer-related, operational excellence related, financial flexibility related, also on the soft factors and some of them are clearly like the digital agenda more related to long-term competitiveness. What is critical here to understand, the 300 million has and that is again the delta 17 to 22 is more or less achieved by 8 of these initiatives when you come to the major impact and this digital agenda is one of them. You could also say because of this potential that we have from Shared Services, Digital Agenda, optimization, logistics area we will be able to finance the move into E-Mobility and still maintain the 12 to 13% margin. Now, if for some reason whatsoever and the order intake on E-Mobility has not changed dramatically since our last mentioning, it is somewhere around 1.3 billion, we have 8 serious contracts that we are working on, fully loaded, we have 25 projects by the end of the year 2017, we have two new projects that have been acquired but again our pipeline is full, we need to manage this carefully because at the end of the day it is not about topline it is about profitability and I have said this before, we are not going to buy business just for the sake of buying business. We are not going to inflate order intake numbers because it suggests some record growth in the future, this is all about maintaining a proper balance between within the portfolio and making sure that we allocate our capital wisely. And we are not going to build up a loss-making E-Mobility pipeline just because E-Mobility is the hype of the month. What is important is that we extend our product portfolio and we have our guidelines, we have our requirements and we have our program and once again I can say that I feel strongly that this 12 to 13% if the market stays as it is, if we deliver on these 20 initiatives, is a doable number. If for any reason the order intake in E-Mobility explodes, or the overall circumstances change dramatically, we then have to see how we adjust for this but I cannot see any reason why this should happen, the market in E-Mobility is more than just electric cars. It is in particular the hybridization that drives it going forward and if I may say that here at this juncture, the fact that there is all this Diesel discussion in Germany, and most people think about selling their diesels and buying cars, they are buying hybrid cars and not battery electric cars is a big opportunity for us.

Ashik Gurien, Jefferies

Maybe you could just follow up on the comment you made on the order intake on E-Mobility is rather stable as you pointed out, is that something that you are happy with or what is your sense of your market share on the orders out there on E-Mobility? Is there a trade-off for you in terms of managing the cash flow and the cash constraint versus acquiring orders?

Klaus Rosenfeld

As I said, with the 1.3 billion at the moment we feel good. As I said before, we are establishing our own business division for this business. This business division will not only be initiative from the Agenda 4 plus 1, the initiative is in particular all about E-Axles and Hybrid Modules, as we shared with you, but the new business division will include more than that. It will include CVT business, it will include parts of our actuation business, and it will form a business division that is in 2018 expected to be somewhere 500 million revenues. It will definitely grow but only parts of the growth of the initiative E-Axles and Hybrid Modules, so in terms of market share there is no neutral measurement of the market share but what I can say is, from the activity that we are seeing from the number of projects that are coming to us that we feel very good about being in play and capturing in particular the interesting projects. And don't forget on these projects, most of them are long-term projects, it is critical that we get these 8-year contracts up and running, we have 2 of these contracts in China, they are already in serious productions. It is now all about making sure that the car maker can really sell these vehicles and that we benefit most. We have seen increases in our orders and volumes on the U.S., the market is in movement. And again, we feel with the competence we are in place, we feel that there is a lot of interesting business there, but we are also selective in terms of profitability that comes out of this.

Henning Cosman, HSBC

Yes, thank you. It is difficult to register questions so maybe you will allow some more time to ask further questions. My three questions are – first I would like to gage your level of confidence – a different spin on Ashik's question, what is your level of confidence that you do not need another variation of an improvement program after the Agenda 4 plus 1 in 2020, so after one Schaeffler mobility for tomorrow that would result in incremental cost in 2020? That is the first question. Secondly, maybe to give you an opportunity to elaborate on industrial order books and the industrials sales development, Mr. Rosenfeld you talked about he that extra heat in the system or maybe it is longer lead times for some of that order intake or order book, if you could elaborate on that a little bit? And finally, on the Automotive order intake, I understand that you said that you have (unclear) 1.3 times book to bill ratio. I think that is also book to bill in 17 alone and also the average of 14 to 17 – 1.3 times book to bill basically implies you have talked about the 5 year lead time to materialize or converge into revenue, I think 1.3 times book to bill mechanically translates into about 5% annual growth, which is not quite enough to match your 6% that is implied in your 2020 financial ambitions? So if you could put that into perspective a bit. Thank you.

Klaus Rosenfeld
Let me go on the first one. We should once again distinguish between mobility for tomorrow, mobility for tomorrow is the strategy, it is not a program. This is for the first time that we are doing a program like this, the one Schaeffler program was never supported by detailed numbers as we are sharing with you today, it was a range of initiatives but we have never been as outspoken as we have been now as we have been explaining what we are doing for the next years and I can only stress again, it is all about consistent and disciplined execution. We want to give you transparency, we want to combine that with the three divisions so in terms of the negative tone of your questions, I cannot concur with that. I think that we, at the start of this 5-year program, see this as a big opportunity to drive the company forward in all the three businesses. This program has a deadline for 5 years, that is why it is called 4+1, and with the environment and the changes that are happening around us and you see all sorts of challenges and also opportunities, can I exclude that there will be a next program that we are starting in 21? No, I cannot but what is now the most important task for the executive board and you have seen that we have changed again one of the key persons here, is that we deliver. And again, this is not short term quarterly performance optimization, this is long term value creation going forward and I can only advise you to share with us the disclosure and also what we give you in terms to put more substance behind these numbers, and that was the attempt we undertook today with the five questions. In terms of the decoupling of the industrial business again the order book in industrial is just an indicator, we are at the moment experiencing a situation where the demand from customers is still increasing so they are putting in orders, we are a key supplier to many in the industries and we have still a challenge to cope with all these demands. In certain areas that we will continue to put stress on the supply chain, the cost that you have seen in the 4th quarter is one of the main driver for the lower result were cost related to special freights, that could well be an issue also in the first quarter69:23. But what is positive is that the industrial business is back on track in terms of growth and it will also give us an opportunity to improve profitability,

also when we come to the pricing element of this, because when capacity is loaded is also an opportunity to go back to the customers and say, yes, you get the parts, but it will become more expensive. In terms of Automotive order, while it can be a mathematical exercise, you have 1.4 times 1.5 times 1.3 times now and if I sort of take a calculation, you could also by just changing the number of years move that up, so again our overall target for the Automotive OEM business is something that for the near term the guidance we gave you also on the divisional side is definitely doable, if you look at the historic achievement of the business they have with here and there an exception always been outgrowing the market, so we stay as a general direction with the market plus 4% and for 2018 this is definitely supported by booked business and by the pipeline and for the next years to come, from whatever we see, we are confident that that is achievable.

Julian Radlinger, UBS

Thank you, hi everybody, 3 questions from my side. No. 1 regarding the free cash flow guidance, if I take the 660 adjusted that you had in 2017 and now I go to 450 that is a 210-million-euro difference. I am just not getting there, I understand that capex (unclear) remain high, you said it maybe will go up a bit, there shouldn't be an impact coming from the starting point from the EBITDA because yes, the margin is going to go down, but you are also going to grow a bit. So, could you just tell us what are you factoring into that guidance on top of just higher capex and flattish earnings? And in legal related cost, any more finance related cost, etc. Second question on EBIT margin guidance for Automotive OEM, here as well I am struggling a bit, that should go down, it is going to go down if we go to the mid-point of your guidance by 80 bips next year. The Agenda 4+1 costs are going up by that much more? And as you explained, even though you did say that some of the issues that you are having in your factories due to the high demand should start getting fixed in H2, so what other factors are playing into this mid margin decline? And thirdly, on Industrial growth, and industrial division growth, I am a little bit surprised by the 3 to 4% growth guidance for 2018. You entered the year in very strong momentum, 9% organic growth, 8 or 9 in H2, the base is very easy, especially 21, a little bit less than (unclear) do you – is it reasonable to assume that we might even have flattish or negative growth in H2? If I just extrapolate the run rate that you are on right now or am I thinking about it the wrong way, is it just a conservative guidance maybe? Thank you very much.

Klaus Rosenfeld

You're welcome. Let's start with the first one, if I understand you correctly, you said 450, that is how we guided, seems to be a bit on the high side, if I understand you correctly.

Julian Radlinger, UBS

No, the low side actually, I don't understand why it should be that low ….

Klaus Rosenfeld

January it was 6% growth, 7.3%, I am guiding a little bit towards the midpoint so that may impact from an operating profitability point also the EBITDA and also the cash flow generation. And then I am saying investment of capex will be a little higher, so the 450 is nothing else than reflecting these two drivers, a little bit more capex, and a little bit less profitability when you look at the margin, yes, there will be growth but that is basically explained with the 450, we are cautious here and this is as some of your previous colleagues asked this is not inflated by any assumption regarding selling further receivables. Don't forget in the cash flow number, there is also other things like working capital and other impacts, so I think that should be in any case an achievable number. In terms of the EBIT margin, also that is a very good question and again it goes back to how the program Agenda 4+1 is going to impact the overall number. Don't forget, Agenda 4+1 includes Core and Core generates already a positive contribution. That positive contribution supports the improvement of the industrial margin, on the other hand it excludes then what negatively affects the Auto side, so if you go to page 14, where you have this little table, if you see the slight increase in the total cost line, that splits into a number where it is positive on the Industrials and negative on the Automotive, and that explains why the margin comes down in the expectation or the guidance for 2018. Industrial growth, again we are guiding for 3 to 4%, as I said, we should not take the numbers for granted, this is more an indication, again customers are demanding certain things, typically more than why they are typically expecting to get. So again, this is also a little bit of a cautious number and we need to see what is happening in the first quarter, I cannot see that this situation is going to remain where there is so much pressure from the market as we see in Q4 and today, don't forget it is also a global business. It is not only European, and I think it will come down a bit, calm down during the year. I don't see why it should become negative but 3 to 4 is the number that we are sharing with you for the full year.

Dietmar Heinrich
Maybe I just add one or two sentences. When you look at the quarterly development you can also see that the strong growth in the second half of last year was good in comparison to weaker second half of the year 2016. So actually, we cannot expect that this kind of development now with having built a higher base is continuing exactly in the same way.

Florian Treisch, Mainfirst
Yes, hello. I have a question which is surprisingly not related to the Agenda – if I take 17 11.2% margin as a starting point adding some millions for extra shipping costs that are not related to the Agenda I would probably end up at whatever 11.5 plus % at least, in the end your guidance implies at least 1% high-end down side to profitability level. The question is a bit implied by your Agenda (unclear) there is only (unclear) million increased factored in here – these increased agenda costs cannot be the reason for the lower margin guidance, so my question would be what is behind the down-side for the margin – is it commodity risk, FX or whatever? What is contributing here?

Klaus Rosenfeld
I think we have become a bit more cautious and that has to do also with the environment, we all know that there is a risk on the material price side, all know the debate about tariffs and what is going on, that is pretty difficult to predict, so you are right, there is also an impact here from the normal running underlying operating profitability that we need to take into account.

Renata Casaro
Thank you very much for attending the call and see you in May. Good bye.