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Schaeffler AG Pre-Release Key Financials Q3 2018 – FY 2018 Guidance Adjustment

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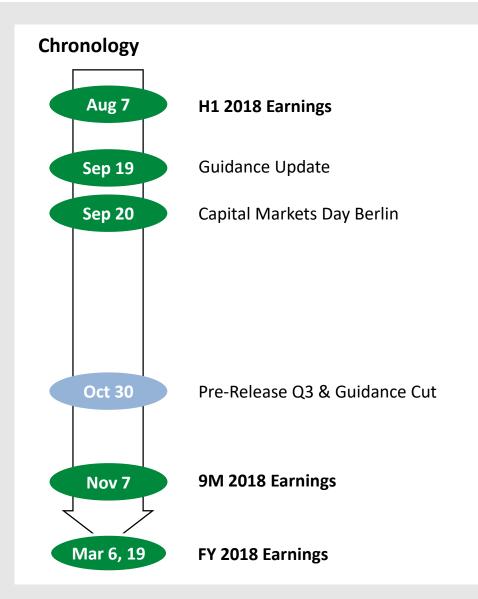
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Agenda



- 1 Overview
- **2** Preliminary Financial Results Q3 2018
- 3 New Guidance FY 2018
- 4 Key messages

Current environment – China auto market further deteriorating



Key aspects

- Schaeffler AG FY 2018 Group Guidance confirmed on September 19, with Automotive OEM FY 2018 Guidance lowered
- Capital Markets Day pointing to potential risks in global auto market (WLTP, tariffs, China weakness)
- ▶ Since then, significant deterioration of market conditions in China auto market (China PV retail sales, stocks at car dealers)
- Board decision today to cut FY 2018 Group Guidance and Divisional guidance for Automotive OEM and Automotive Aftermarket

Preliminary Q3 2018 figures – Mixed performance in Q3

Group	Q3 18	9M 18
Sales growth ¹⁾ (in EUR mn and %)	3,521 +3.7%	10,714 +5.1%
EBIT margin ²⁾ (in EUR mn and %)	355 10.1%	1,150 10.7%
Free Cash Flow ³⁾ (in EUR mn)	201	127
Capex-to-sales ratio	7.4%	8.0%

¹⁾ FX adjusted

Automotive OEM	Automotive AM	Industrial	
Q3 9M	Q3 9M	Q3 9M	
2,191 6,778	476 1,401	854 2,535	
+3.2% +4.3%	-3.0% +1.3%	+9.4% +9.8%	
Q3 9M	9M	Q3 9M	
172 596	80 256	103 298	
7.9% 8.8%	16.8% 18.3%	12.1% 11.8%	

Key aspects Q3 2018

- Automotive OEM with decreasing margin due to weakness in China and negative mix
- Automotive Aftermarket sales decline due to high comps and weaker than expected demand in Europe
- Industrial very strong quarter, both in terms of sales and EBIT margin
- ► Lower than expected FCF due to lower earnings quality and higher inventories

²⁾ Before special items

³⁾ Before cash in- and outflows for M&A activities

New Guidance FY 2018 – Automotive OEM triggers downward revision



Group Guidance		Divisional Guidance					
	Old ⁴⁾	New ⁵⁾		Automotive OEM	Automotive AM	Industrial	
Sales growth ¹⁾ (in %)	+5-6%	+4-5%		+3.5-4.5% (before 4.5-5.5%)	+1.5-2.5% (before 3-4%)	+8-9%	
EBIT margin ²⁾ (in %)	10.5-11.5%	9.5-10.5%		8-8.5% (before 8.5-9.5%)	17-17.5% (before 16.5-17.5%)	10.5-11.0% (before 10-11%)	
Free Cash Flow ³⁾ (in EUR mn)	EUR ~450 mn	EUR ~300 mn					

Market assumptions⁵⁾

- Automotive: Global Light Vehicle production growth revised down from around 2% to around 0.5%
- Automotive Aftermarket: Stable growth in the global vehicle population and a nearly unchanged average vehicle age
- Industrial: Similar growth rate of industrial production in 2018 compared to 2017

¹⁾ FX adjusted

²⁾ Before special items

³⁾ Before cash in- and outflows for M&A activities

⁴⁾ As of September 19, 2018

⁵⁾ As of October 30, 2018

New Guidance FY 2018 – Adapting execution to a more complex market environment

- Sharp expected market decline of China Light Vehicle Production/Sales is the key catalyst for reducing FY 2018 Group and Automotive OEM Guidance for sales and EBIT margin
- Softness in Automotive Aftermarket Q3 sales due to lower demand from European customers cannot be compensated in Q4, FY 2018 margin guidance at 17-17.5%
- Industrial Division on track, favorable development of Industrial sales continues, FY 2018 margin guidance at 10.5-11%
- 4 Further short-term cost discipline measures initiated, while preserving our flexibility

Increased focus on cash generation (stronger inventory reduction, stricter capex allocation), dividend policy unchanged (30-40% payout ratio)

Adapting execution to a more complex market environment