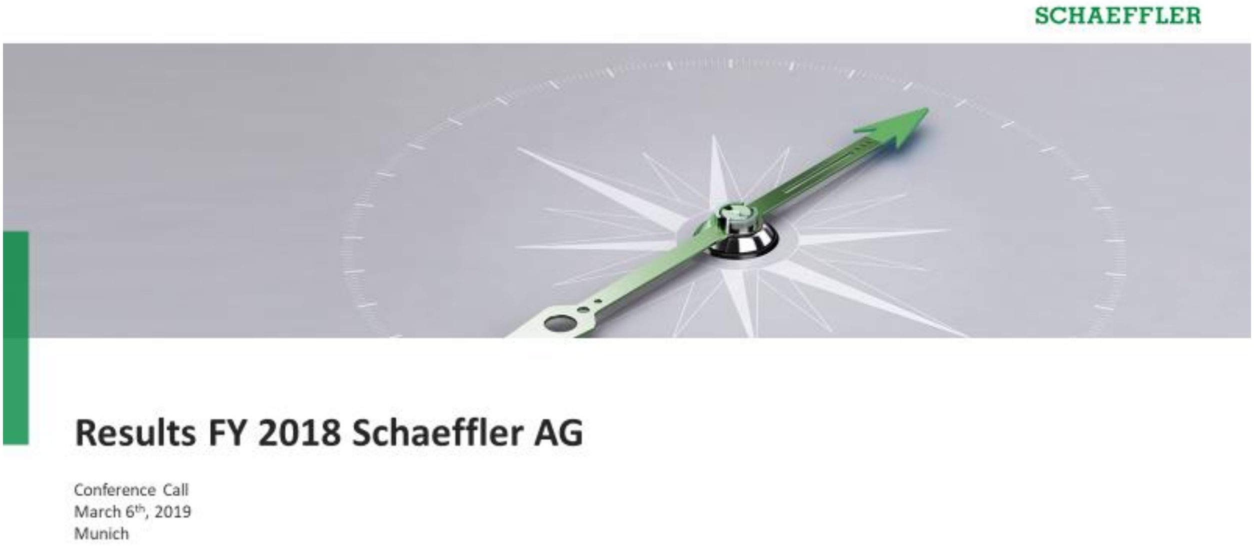
COMMENTED SLIDES / CONFERENCE CALL RESULTS FY 2018



Company Representatives

Klaus Rosenfeld, CEO

Dietmar Heinrich, CFO

Matthias Zink, CEO of Automotive OEM

Renata Casaro, Head of Investor Relations

Conference Call Participants

Raghav Gupta-Chaudhary – *Citigroup*

Brian Studioso – *CreditSights*

Christophe Boulanger – *Barclays*

Kai Alexander Mueller – *BofA Merrill Lynch*

Akshat Kacker – *JP Morgan Chase & Co.*

Cyprian Yonge – *Bernstein*

Harald Eggeling – *Oddo BHF*

Matt Cottingham – *Stone Harbor*

Julian Radlinger – *UBS Investment Bank*

Tim Rokossa – *Deutsche Bank*

Operator

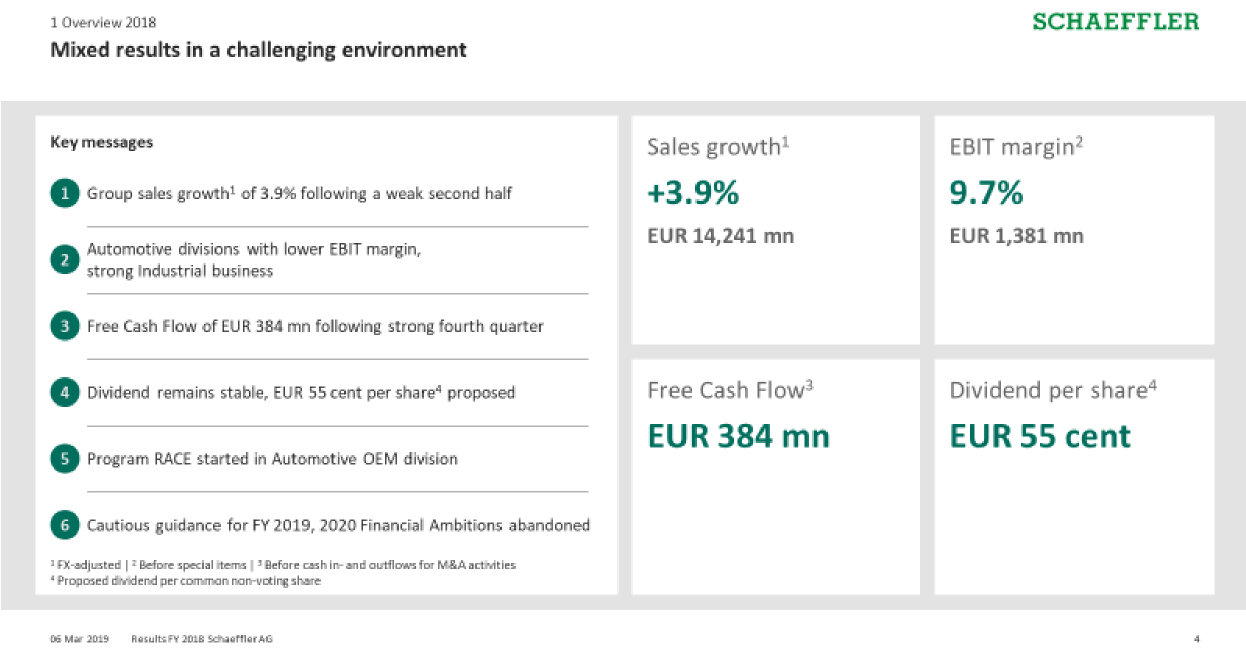
Ladies and gentlemen, welcome to the Schaeffler AG Full Year 2018 Results Conference Call. At our customer's request, this conference will be recorded. After the presentation, there will be an opportunity to ask questions. May I now hand you over to Renata Casaro, Head of Investor Relations, who will lead you through this conference. Please go ahead.

Renata Casaro

Thank you very much, operator. Good afternoon. Welcome to our full year 2018 earnings call. We are very happy to have with us here today Mr. Klaus Rosenfeld, CEO of the Schaeffler Group and Mr. Dietmar Heinrich, CFO and Mr. Mattias Zink, CEO Automotive OEM division, and the investor relations team. All relevant materials are available on our website. In order to give you maximum time for questions today, Klaus will begin with the overview and evaluation of our 2018 results for Group and division, then lead you through the business and strategic update. Matthias will provide you insight into our race program for the Automotive OEM division. And the detailed fourth quarter and full year financials will be illustrated to you by Dietmar. Klaus will conclude with the outlook in 2019 and the three board members will be then available for your questions. I pass the floor to Mr. Rosenfeld.

Klaus Rosenfeld

Thank you, Renata. Ladies and gentlemen, thanks for joining the call. I'm here to do another set with Dietmar and Matthias to share the presentation with you. We want to do is as quickly as we can and then leave enough time for your questions.



Let me start on my first page, the overview, Page #4. That is, as we headlined, mixed results, a challenging environment and has 6 key messages, as you already digested. We grew the company's sales by 3.9% FX adjusted, following a weak second half. The growth came, actually from 10% growth from the Industrial side, that's a very good achievement. And the two Automotive divisions grew less than expected, 2.1% in Auto OEM, 2.2% in Automotive Aftermarket. When you look at the margin, EBIT margin, 9.7%, above the lower end of the range we gave you, 9.5%. And here, you clearly see what happened and how the -- how strongly the second half of the year impacted the Automotive OEM division. Both divisions with lower EBIT margins, more than we originally expected. You also saw that the Industrial business came out quite strongly, 11 percent margin, that's 3 percentage points better than last year. It shows that all the programs with respect to CORE 1 and CORE 2 helped to achieve that level. We are quite proud that it's there now, 2 years earlier than expected. It still needs work on the sustainability side.

Third point. Free cash flow came in at EUR 384 million. The fourth quarter was a strong cash flow generating quarter, despite the weakness in profitability, Dietmar will explain that in more detail. On that basis, we can pay a stable dividend with EUR 0.55 per share proposed for the noncommon nonvoting -- the common nonvoting shares. Clearly, it goes without saying that the situation in Automotive OEM is not satisfactory. And given the strong polarization of performance between the divisions, it is something that you expect, that we put together a program to address the weaknesses in the Automotive OEM division going forward that Matthias will explain in more detail.

You also saw -- and we heard your assessment of that. On purpose, we have been cautious on the guidance for the full year 2019. There is little visibility. The environment is still pretty unpredictable. Yes, there are some voices that say, second half will be better than first half. Let's wait and see. There's a lot of risk in the system still with Brexit to come and all the other geopolitical and macroeconomic situations. Therefore, we decided to remain cautious on the guidance and have also decided to skip the 2020 financial ambitions. Yes, I promised something different during the Capital Markets Day, but that was based on the assumption that the market would not turn that much in the wrong direction. So please expect for 2020, we set no update of the financial ambitions. That would have been a 2-year guidance and I feel that this would not have been appropriate given the environment. That does not mean that we will skip the midterm targets forever. We'll first of all going to turn ambitions into targets and make them more reliable.

You all saw from the announcement this morning that we also changed quite dramatically the way we put together the team. I want to use a little bit of time now in setting the pace and revising where we are, also with project RACE and then come back on the targets sometime mid-2020.

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Group Guidance 2018 achieved – Automotive OEM guidance missed

Group Results

	Guidance FY 2018	Actual FY 2018
Sales growth[1]	4 - 5%	3.9% (✓)
EBIT margin[2]	9.5 - 10.5%	9.7% ✓
Free Cash Flow[3]	~ EUR 300 mn	EUR 384 mn ✓

[1] FX-adjusted | [2] Before special items
[3] Before cash in- and outflows for M&A activities

Divisional Results FY 2018

Automotive OEM ✗		Automotive Aftermarket ✓		Industrial ✓	
Guidance	Actual	Guidance	Actual	Guidance	Actual
3.5 - 4.5%	2.1%	1.5 - 2.5%	2.2%	8 - 9%	10.1%
8 - 8.5%	7.7%	17 - 17.5%	17.0%	10.5 - 11%	11.0%

Actual market development vs. assumptions[4]:

- Automotive OEM: Actual value according to IHS[5] **minus 1.1%** in 2018 vs. assumption of around **+0.5%**
- Automotive Aftermarket: Stable growth in the global vehicle population and a nearly unchanged average vehicle age in line with expectations
- Industrial: Higher growth in industrial production in line with expectations

[4] As of October 30th 2018 | [5] LVP Production Growth according to IHS Markit (February 2019)

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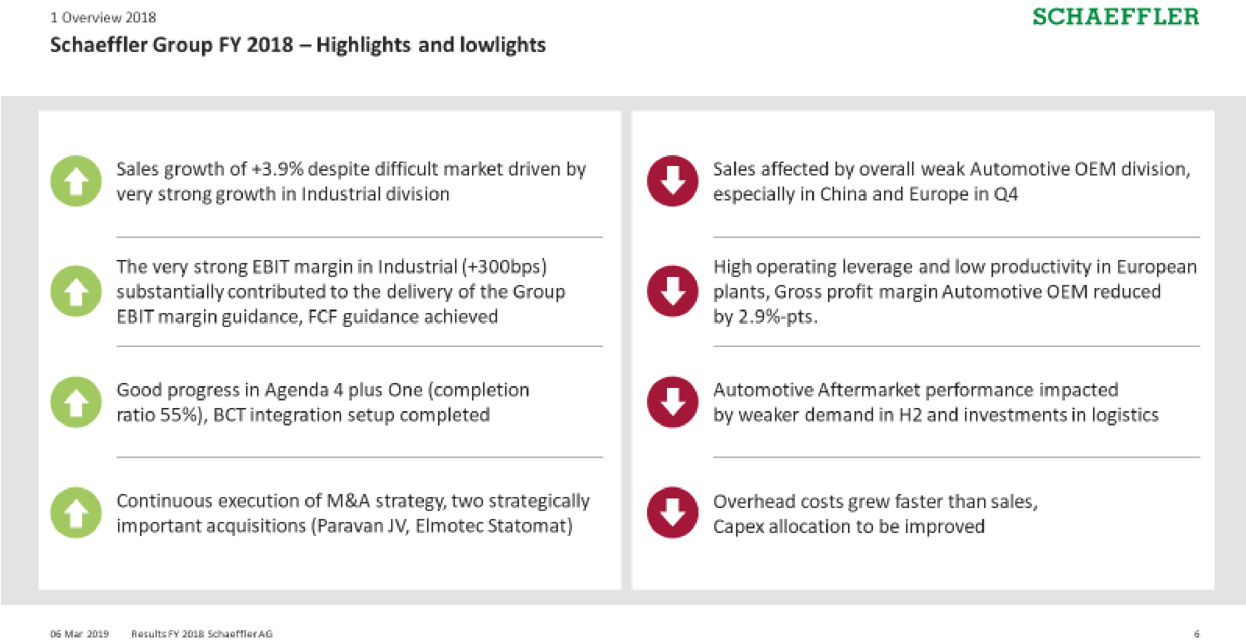
So much on the quick overview, I think you already digested page #5 with the group guidance that was achieved and the Auto OEM guidance that we missed. I don't have to say much more here, you'll all saw how heterogenous the developments in our markets were and therefore, I would like to jump immediately to my highlights and lowlights page number 6.



I think most of this I already touched. Strong performance of the industrial division plus 10% growth. A strong EBIT margin of 11%, 3 percentage points more. It's definitely on the positive side, free cash flow guidance achieved also on the positive side, away from the financial indicators to what we have been doing.
There's good progress in the Agenda 4 plus One. We are approaching and we have seen in the completion ratio 55% in 2018, want to bring that up to 75% in the year '19. And the additional measures like the BCT integration of our plants have been completed with respect to the setup. It not fully completed with respect to the impact but that will come.
It was important for us to finish this before year end and the idea that the plants are now fully integrated is important also when it comes to executing on our plan. Execution is also the right word in terms of M&A strategy, you saw the two important acquisitions. Paravan, Elmotec both gave us good response from our customers so these are the four highlights. Let's go to the lowlights, I mentioned the sales already Automotive OEM was the particular weak in the fourth quarter.

When you think about China and Europe, the Chinese market was down minus 15.4% in the fourth quarter, we were even down more minus 17%, you see this on the table at the end. These dramatic drops that we have not experienced in the past have also then significantly impacted the performance and the EBIT margin of Auto OEM in the fourth quarter. On the one hand in China, you can imagine if revenues drop in that magnitude that it's not possible to immediately bring down the cost in a simultaneous manner. So when we come later on to the gross profit development in the fourth quarter, you will see that this is one of the key drivers for the low margin of 4.4%. We also saw that there is -- and we indicated this this before that there is an issue with the operating leverage and the low productivity of some of our European plants, that can be a size issue, it can also be a portfolio issue and when Matthias is going to explain later on, the cure for this was a fix for this then it's obvious that we have to do some work in that direction and therefore project RACE clearly includes measures on how to optimize further our European footprint and bring down the operating leverage. A weakness was also in Aftermarket. I think you saw this from the number weaker demand, there were some investments in our logistic network that are one-off but clearly impacted the P&L, so the Automotive Aftermarket performance is something to watch out for. And last but not least, we have seen overhead costs growing faster than sales, shouldn't be a surprise when sales drop that fast that this equation cannot be met.

But I'd also have to say we have to become much more focused in terms of CapEx allocation as significant improvement potential there, and that's why it's also part of the program RACE, that Matthias is going to explain. Let me from there going to the second chapter and go immediately to the businesses. We have structured these pages in a way that you see the key figure sales and EBIT.

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Agenda

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2 Business and Strategic Update

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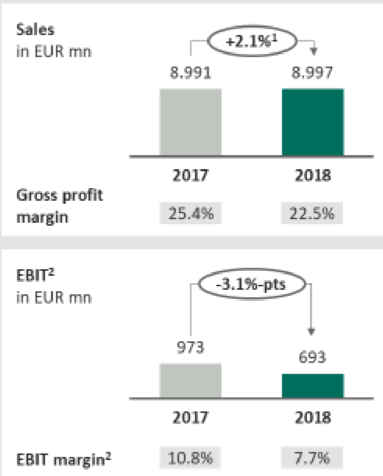
Automotive OEM FY 2018 – Results below expectations



- Consistent Outperformance of LVP[3] by 320 bps, even with decreasing momentum in Q4
- Good progress in the new E-Mobility business division (Sales: +18.1%)
- Order intake of 12.6 bn EUR, overall Book-to-Bill ratio improved to 1.4
- Organic sales growth deteriorated in H2 due to lower demand in China and Europe (WLTP)
- Declining gross margin due to productivity not offsetting negative price and mix effects
- Lower absorption of fixed costs and overproportional increase of overhead costs

[1] FX-adjusted | [2] Before special items | [3] LVP: Light Vehicle Production

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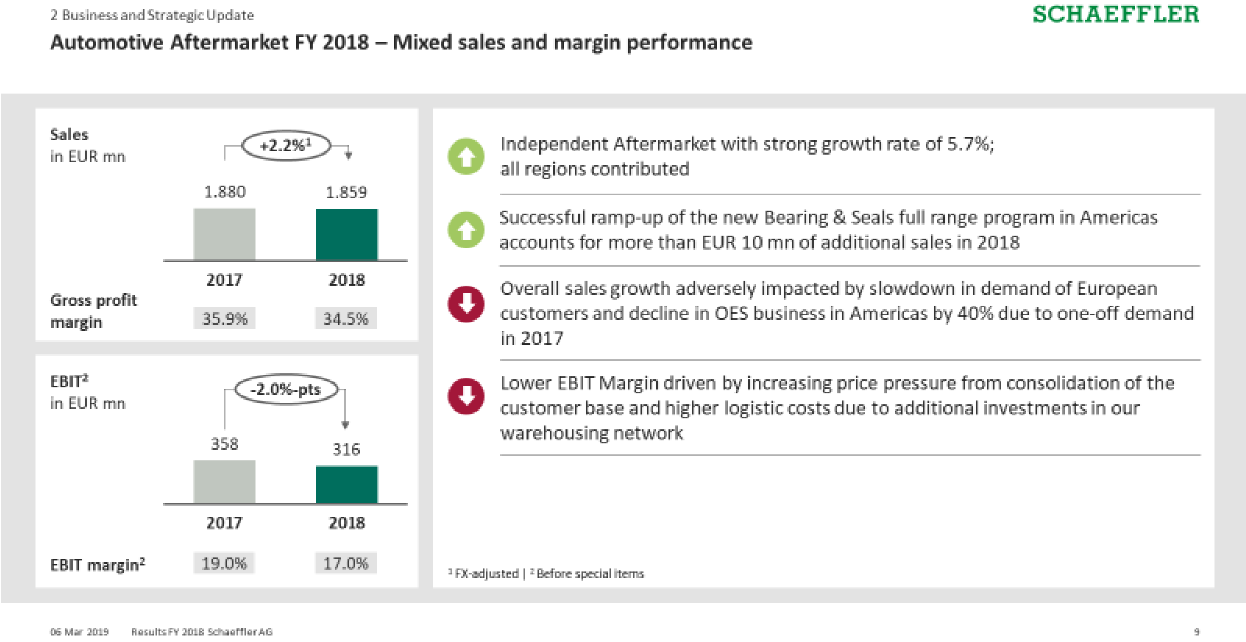
On Page #8, you see the significant reduction, gross profit margin 25.4% to 22.5%, clearly not satisfactory. While on the positive side, we could grow the business not up to the 400 basis point outperformance that we normally want in a normal year, but still, 320 is not bad. We've also made good progress in our E-Mobility business, which has grown in the high teens, strengthened our capability. Jochen Schröder is doing a great job there. We've just spent time in Geneva to talk to customers. And I also think that the order intake number, of total EUR 12.6 billion and a robust book-to-bill ratio of 1.5, should not be overlooked given the negative development on EBIT margin. These figures at least gives Matthias and myself confidence that we are on the right track and that our pipeline is growing and intact.

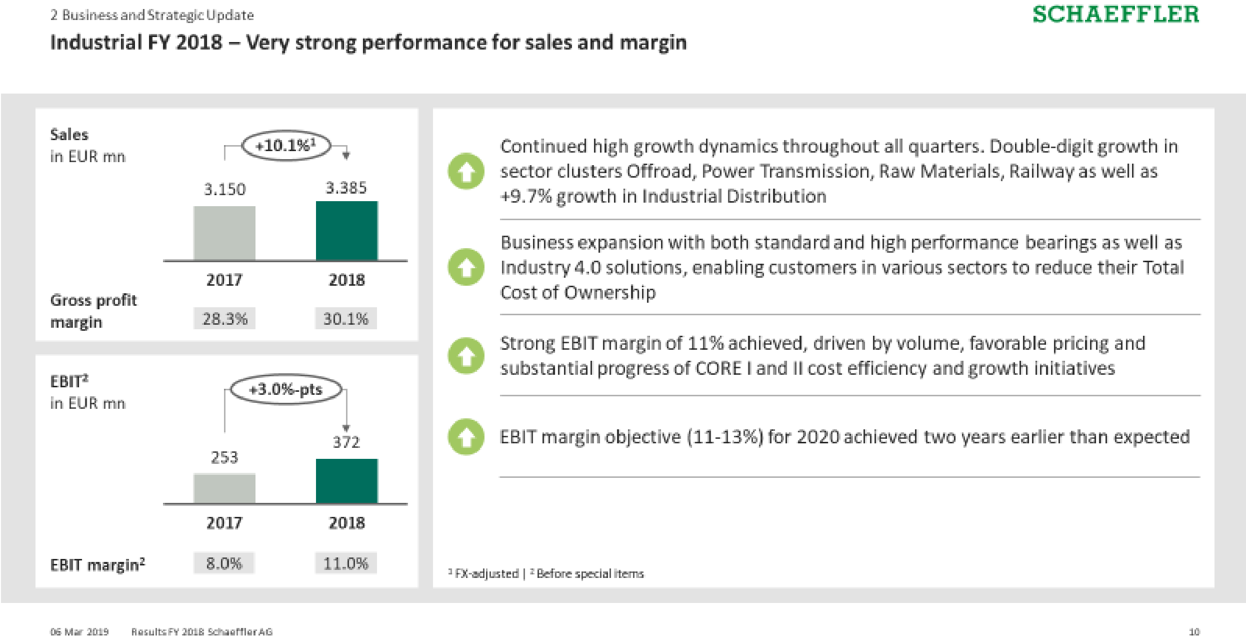
To the negatives. Again, I mentioned the external factors. Organic sales growth was curbed by the China demand, like for everyone else. Clearly, we have always been geared towards China, so that has a significant impact. Europe weakness and WLTP. With some hindsight, we have to say that we probably underestimated the impact here in the summer, but these kinds of things happen. So my biggest concern, ladies and gentlemen, is the gross profit margin because that suffers a decline stronger than expected.

If you go to the page that Dietmar will later explain, Page 23, you see that the drop in EBIT margin Q4 2017 from 11% to 4.5% in Q4 2018 is more or less explained by a 5.6% points drop in gross profit. That is extraordinary. And if you ask for the reasons why this is the case, this is very much driven by the Chinese business. Of the EUR 151 million delta in gross profit, more than 50% can be explained by the drop in China.

And here, I saw your responses this morning. And you were, as we were, disappointed about the 4.4%, but I think with this little explanation and with the assumption that China is not going to drop another 17% in Q1 or Q2, I think we can say the 4.4% should not be extrapolated. It is a number that has clearly seen the effect that you cannot synchronize on the day drop in revenues, at least not at this dramatic extent, with cost improvement. But you can also assume that this is not going to continue. There were 2 or 3 other issues that played a role here. Some of you saw that cash flow was a little bit stronger, also because of a more forceful inventory management that also impacted the P&L. And there are some other issues that did, that Dietmar and Matthias will explain. But this dependency on the China, on the one hand. On the other hand, the level of productivity and the low absorption of fixed costs in our European plants has then given rise to the program that we have put in place and announced today. In any case, we have to become more disciplined, more selective and also more distinguished in our approach when it comes to manage these kinds of volatile environments.
And that leads me briefly to my next page, Page #9.

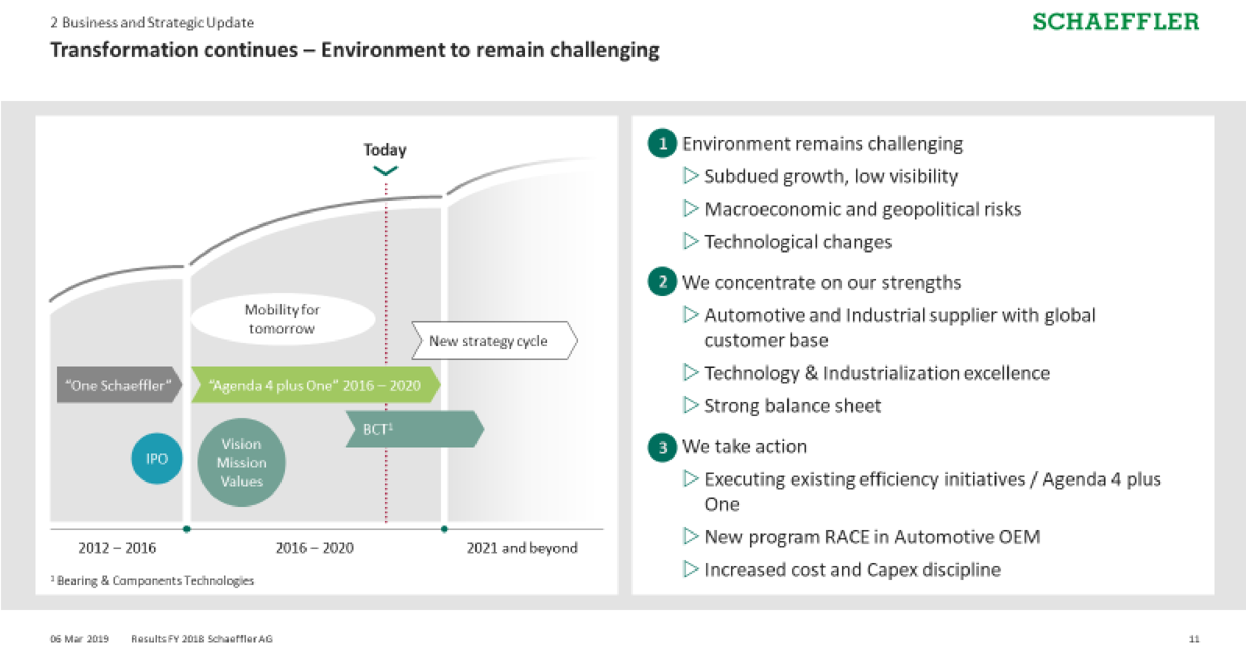


Sales Automotive Aftermarket, 2.2% up. Here also, we -- you have to look a little bit deeper. The Independent Aftermarket grew -- at 5.7%. All regions contributed, so that's a good sign. But there are also here, as Michael always explained, some volatile aspects that came from the market environment. We have, and that's what we are proud of, for GPC successfully ramped up our new bearing and seals business, full range program in the Americas that will account for a good pipeline going forward. On the other hand, we have to face a situation where there is also some price pressure in the European Aftermarket business, slowdown of demand plays an important role here as well. So there are some negatives. And then when you see the margin development, 19% to 17%, that's clearly the wrong direction, although you have to remember that the 19% includes probably a one percentage points from a one-off in the first half that is not sustainable. It was a release of a provision that was not adjusted or could not be adjusted according to our normal standards, so it's more or less the one percentage point drop. Still, again, we have to see what also the Automotive Aftermarket colleagues can contribute in terms of stabilizing and securing their performance going forward.



I think on Industrial, I can cut this short here because I really can't show a real negative here. We were blessed by a positive environment, continued high growth dynamics through all the fourth quarters, double-digit growth in some of the sectors has led to significant better results than expected. Gross profit margin up nearly 2 percentage points. EBIT margin up nearly 3 percentage points. I think all of that is a good achievement. It shows that we are able to execute efficiency in growth initiatives. And I do believe that, that is something that is encouraging for the whole organization. Don't underestimate what the mood was in 2016 when we started with this, but it's also a good proxy and a good basis for also now to build on this.

Let me also share with you, I've always said that 2 waves may not be enough, CORE I, CORE II have been executed, and are more or less 100% in. But Stefan has been wise enough to say, with the good environment he had in 2018, it's important that we continue to improve operational excellence. And he will do so with a third wave for a continuous improvement program that he calls FIT. FIT means fast industrial transformation, and will target a range of initiatives to make the results that we have achieved more robust and sustainable.



After the 3 divisions, let me, before I hand over to Dietmar, quickly go to the strategic part and give you a little bit of an update here.

As all of you know, the transformation continues. It must continue. And we have to adapt what our customers want. I already said we need to become even more disciplined, maybe more selective. And that happens in an environment that remains – and from my point of view, will remain throughout the year 2019 – challenging. Challenging means the growth will be subdued. Visibility will be low. There are some unexperienced – I mean there's some unforeseen macroeconomic and geopolitical risks. And on top of this, we have technological changes, in particular, in the Auto OEM environment that are also new and require an action plan on our side.

How do you do this in such a situation? You conduct here and there a health check of your business model. And then you start to concentrate on what you can do best. Here are the 3 things. We are an automotive and industrial supplier. We have a global customer base. There is -- it's a large company that is clearly also more resilient through these kinds of developments than others are. So we have a good foundation on which we can build on. We have the technological and industrialization excellence, as we already shared with you, that we want to leverage off. And we also have a stronger balance sheet than ever before, with 3 investment grade ratings and a 25% equity ratio. That is important to us because we clearly see that, going forward, we need to also be able to further grow our business organically.

But we also have weaknesses, like everyone has weaknesses. And I've always been outspoken when it comes to addressing those. And the key headline here is, it's important that we look at what our competitors do and how we need to improve our competitiveness. And I do see that there are 3 main levers where we need to take action. And that is executing the existing efficiency initiatives in a straightforward and continuous improvement manner, basically Agenda 4 plus One. We have put in place this new program RACE. It comes on top of the agenda, and Matthias will explain that. We started to develop this program end of last year when we saw how weak the results came in. And it was obvious that this -- the issue hasn't been addressed. And that comes together with a more focused approach on costs and a more focused approach on capital, while we continue to further optimize our portfolio with acquisitions and divestments.

2 Business and Strategic Update

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A Drive continuous improvement – Execution of efficiency initiatives progressing

Overview initiatives

	Start Date	Cost Efficiency Target	HCO[1] Reduction Target	Restructuring Cost	Full Financial Impact	Focus	Completion Ratio at CMD[2]	Completion Ratio now
CORE I	10/2015	~ EUR 40 mn	~ 500	EUR 36 mn[3]	12/2018	Industrial	100%	**100%**
CORE II	10/2016	~ EUR 90 mn	~ 400	EUR 45 mn[4]	12/2019	Industrial	>50%	**100%**
Shared Services	10/2017	~ EUR 25 mn	~ 100	EUR 39 mn[5]	12/2022	Group	35%	**55%**
BCT[6]	5/2018	~ EUR 60 mn	~ 950	EUR 26 mn[7]	12/2021	Auto OEM/ Industrial	5%	**20%**

\+

New program RACE in Automotive OEM

[1] HCO = Headcount | [2] 20th of September 2018 | [3] Booked in 2015 | [4] Booked in 2016 | [5] Booked in 2017 | [6] Bearing & Components Technologies | [7] Booked in 2018

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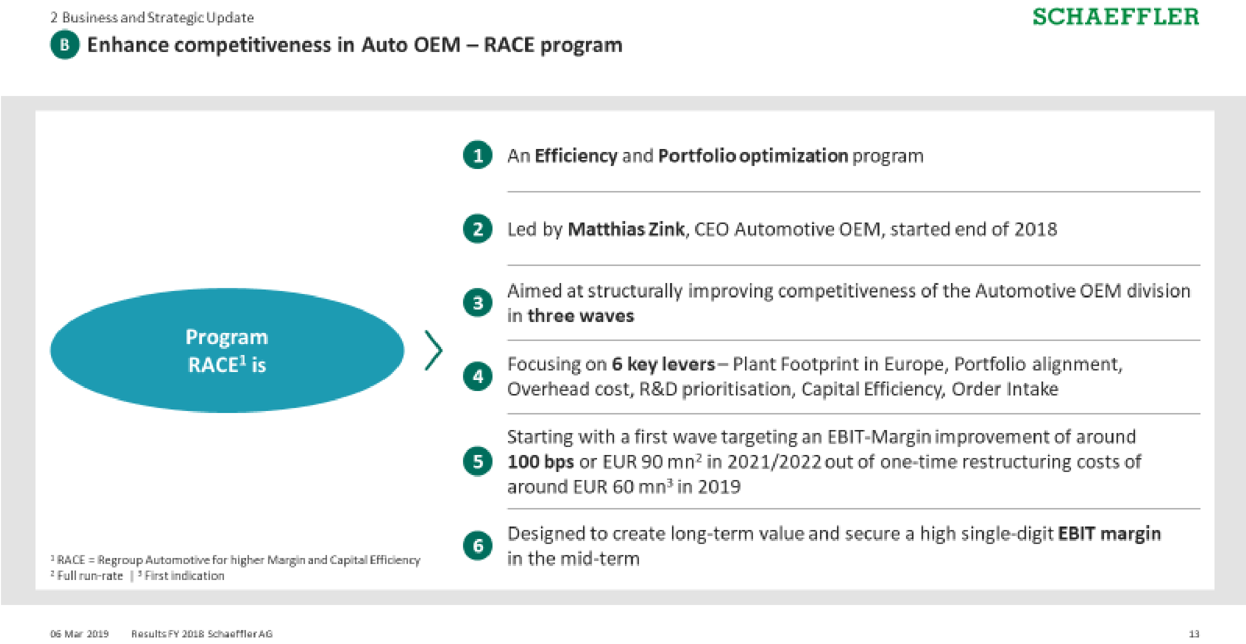
Before I hand over to Matthias, let me quickly, for your memory, go to the next page, Page #12. Here, you see what we have been doing. This is exactly the same page that you may remember from the Capital Markets Day, where you see CORE I, CORE II initiated in October 15, October 16, shared services in October 17, BCT in May 2018, and we are now initiating RACE now for Automotive OEM. We always have clear reduction targets, restructuring costs and an idea when the full financial impact should come in. We've also updated the completion ratios. We want to demonstrate here that we are clearly focused on getting these things properly executed.

Let me also say here, you may recall, I said during the Capital Markets Day half a year ago, if there's need-be for additional measures, we will put in these measures. That's exactly the point where we are. And I can also say, apart from FIT, if there is an issue with Automotive Aftermarket, the start into the year was not ideal, we'll put in additional measures for the Aftermarket as well. It's a cultural thing that the management teams inside Schaeffler understand that there is no excuse for underperformance and that we need to deliver on what we promised.

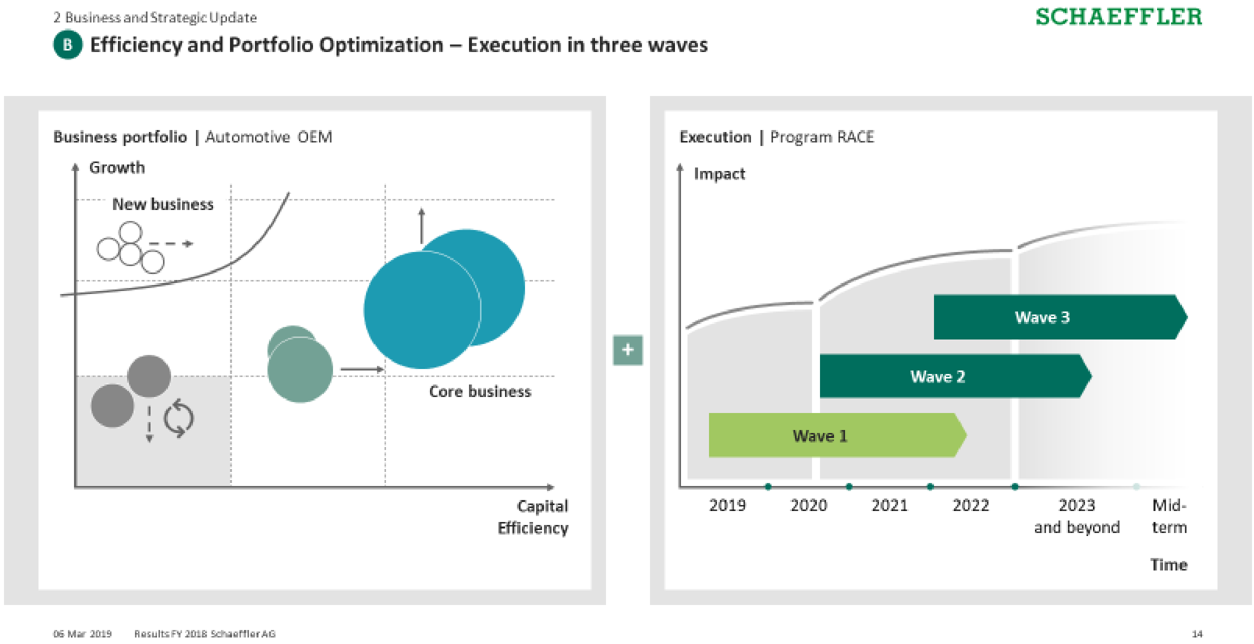
With this, Matthias, I hand over to you for Page 13.



Okay. Thank you, Klaus. Ladies and gentlemen, good afternoon.

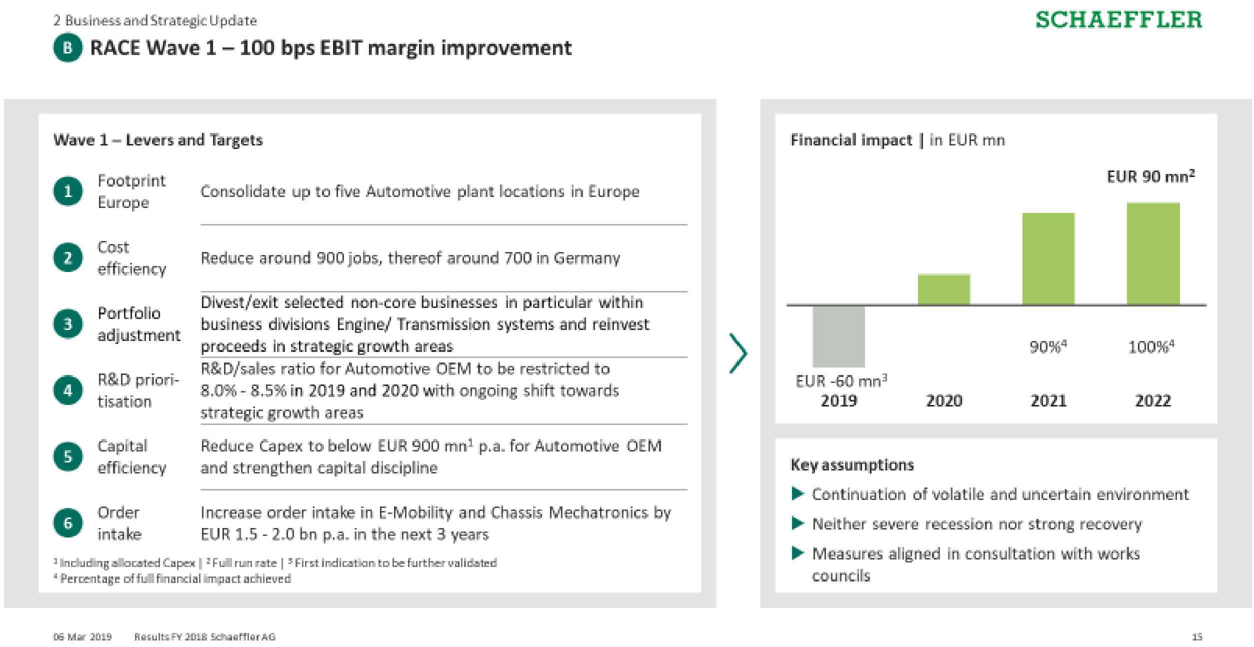
Let me start with the acronym for RACE. We talked about it several times now. RACE is, or stands for Regroup Automotive for higher Margin and Capital Efficiency. And I guess by that, you already see that's more -- way more than a pure restructuring program. It's containing reorganization, it's containing portfolio topics and so on.

And you see on the right on this Page 13, we call it an efficiency and portfolio optimization program. I come to that in a minute. It's a matter for the board, so I can't delegate it. So this is why I took the task myself as the responsible CEO, with my business division leaders there. It's about the competitiveness for sure. We as well look to our peers, and for sure, we see their partly different numbers when we usually anticipate these structures in 3 ways, where the first one target is EUR 90 million improvement. It's focusing on 6 key levers. On the one hand: plant footprint, in particular, Europe; portfolio alignment over at cost; R&D prioritization; capital efficiency; and finally, order intake. I stated the first wave is targeting a 1% improvement or 100 basis point, that equals EUR 90 million EBIT. We expect to having completion there in 2022 at 100% level. And we expect the restructuring costs of about approximately EUR 60 million for 2019 to come. And for sure, it's really designed not as a restructuring, as I said. It's really to create long-term value and to secure finally a high single-digit EBIT margin in the midterm.



Now going to the next page. I guess there, we see is the structure of the program, or the 3 waves on the right side, but as well the reasons for the 3 waves and the challenges on the left side. And then we structured the growth on the y-axis versus the capital efficiency on the x scale there. And we clustered -- at least the qualitative, we clustered our existing business. So we have some profitable core business, but we as well have to look through all business fields in Schaeffler. And especially, we have to mirror that at our 30, 40, 30 scenario from our powertrain vision you well know. Again, it's really tied to look into that with the portfolio view, to look into particular overheads of different product groups and to decide what we eventually could consolidate or sell off, et cetera, so come to that when describing the levels in detail.

At the same time, we have to spend our capital wisely for the new business. And Klaus just referred to Paravan and Elmotec and probably more to come, and that's exactly the challenge we are in, and this is why we call it regroup program, and again, not a restructuring program. And we clustered it in the 3 waves. If we can't wait any longer, being -- or anticipating the results of Q4 last year, where maybe in the past, a couple of numbers have been masked or shed out by China results, so we have immediately, and this is Wave I, but again, wisely doing portfolio management, means Wave II, and then going into the transition of E-Mobility, mechatronics and probably the digitalization of the automobile, it's more or less subgrouped under the Wave #3.

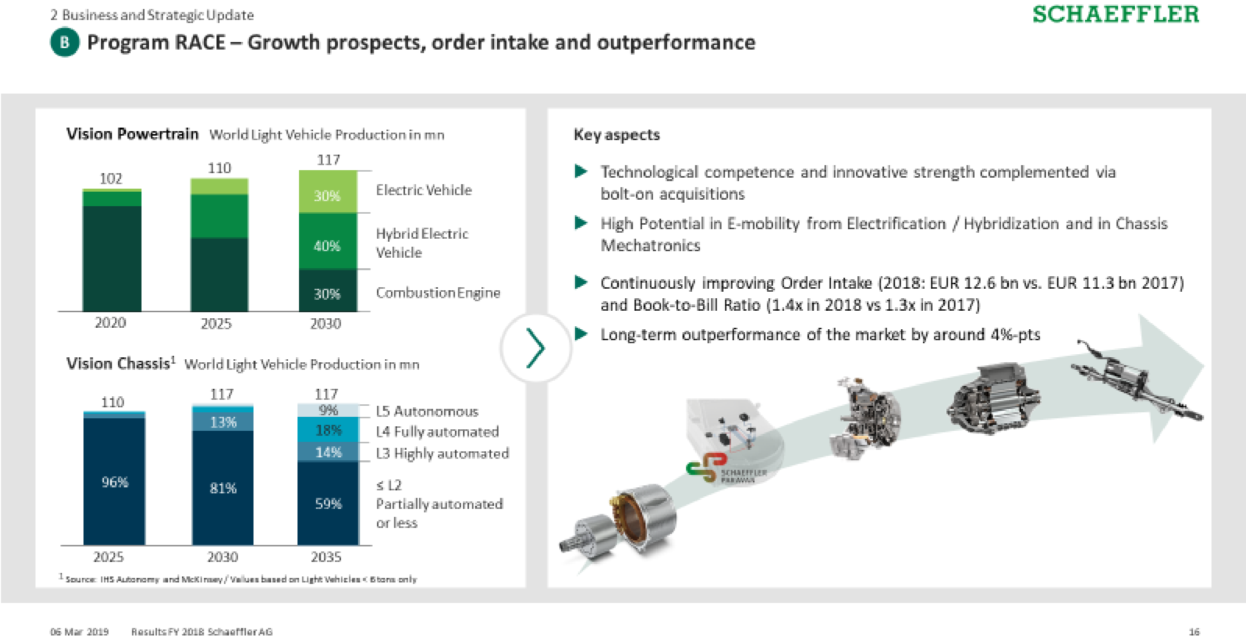


If we go to the next page, we describe that the Wave I in more detail, so the levels set in the target each. And Klaus talked about it, the operating leverage in Europe and that exactly called for this consolidation of the plant footprint in Europe. And there, we published today as well in the press conference that we're going to consolidate up to 5 automotive plants in Europe because we need more flexibility there. That would equal then, as of now, about a 900 job reduction, thereof about 700 in Germany.

I mentioned on the slide before the portfolio adjustment, which then means divest or exit selected noncore business. Again, mirrored on this 30, 40, 30 scenario for the 2 business divisions, engine and transmission system, and wisely reinvesting the money, then, in proceeding with the strategic growth areas. We want to limit, at least, we don't want to reduce as of now, but we want to limit and make more efficient the R&D/sales ratio. And as of now, we target or restrict that to 8% to 8.5% in the years to come, 2019 and 2020. And once again, with more efficiency in the as is business and with an ongoing shifts towards this strategic growth areas. That one target is very clear, the capital efficiency. So to really spend the money for the right capital, as well to make best use of existing capital and with better efficiencies and so forth, and we've set ourselves as well a limit of EUR 900 million, including the allocated CapEx for the years to come. And once again, to strengthen the capital discipline. I guess Klaus will later elaborate on this EUR 900 million and to CapEx discipline as well.

And last but not least, we are and we stay committed to our new business fields, E-Mobility and Chassis mechatronics. And the team commits there to EUR 1.5 billion to EUR 2 billion order book intake -- or order intake per annum for the next 3 years. And we have a good pipeline right now. We have good discussions. Unfortunately, I can't announce or disclose the contracts now. But I'm very, very optimistic that in due time, we will do so.

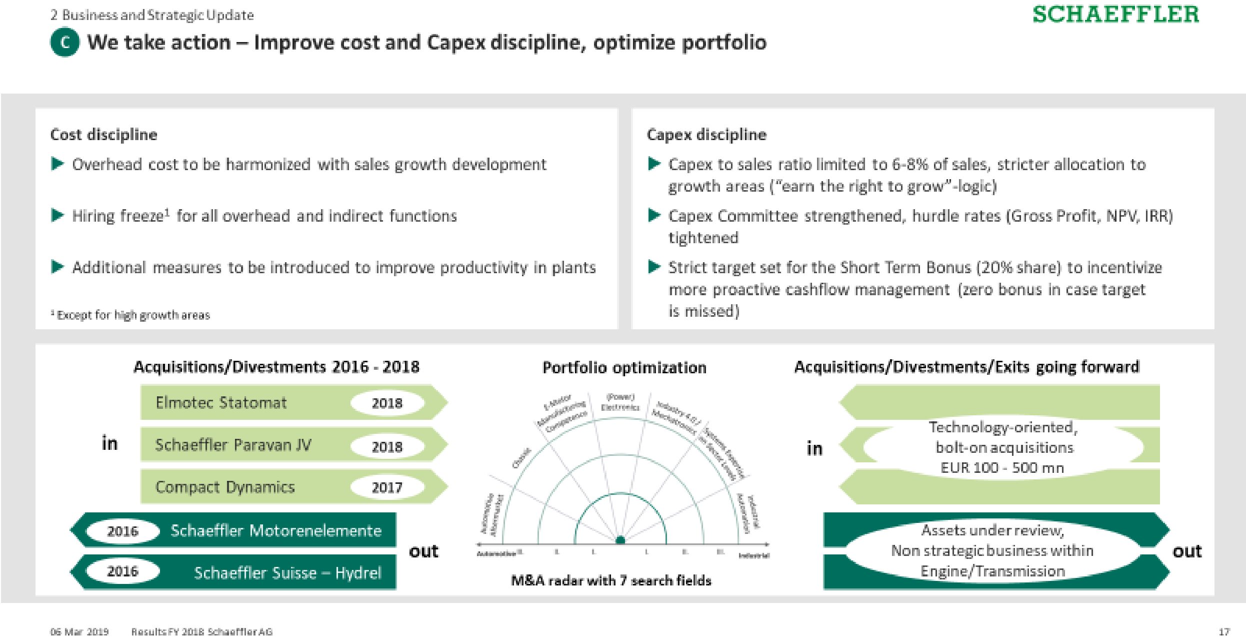
On the right side, you see this financial impacts, starting with the accrual or provision of the EUR 60 million restructuring cost and then generating into a positive impact for the year 2021 and '22 with 100% completion ratio, for sure, having as a foundation a couple of key assumptions mentioned underneath there.



So next slide. Again, just to recall what we as well showed on the Capital Markets Day and where we orient our strategy to the Vision Powertrain plus the Vision Chassis. We still don't see that there is any threat. We see that rather is a great opportunity for growth prospects, for the order intake and for the outperformance, so we'll still be committed to the 30-40-30, which is more or less the new normal in the Automotive industry, more or less confirmed, Klaus in Geneva was yesterday on site. And so we do for the Vision Chassis where we see a takeoff for the autonomous driving in different grades and different steps. But every grade offers us opportunities, whether this this is automation of driveline, or mechatronics in the chassis in all those fields our acquisitions, Paravan and Elmotec, will pay off.

And so we see the key aspects, I stated the technological competencies, which is our foundation and the innovative strengths, which, by the way, led us to the #2 ranking again in patents filed in Germany. We see those complemented via those latest acquisitions. We see this high-potential in E-Mobility. And I know that some of you suppose we are late in that, but maybe we are coming in the right point of time, seeing all these discussions we have currently on the customer side and the same for the Chassis mechatronics. We want to continuously improve the order intake. We had a great year in 2018 despite all these headwinds. So we made EUR 12.6 billion versus EUR 11.3 billion in '17, and we could achieve by that the 1.4 book-to-bill ratio. And once again, we stay committed to outperform the market because we continuously bring volume and technology in the car park, so we reiterate and once again commits to the 4%.

With that, I would hand back to Klaus Rosenfeld. Thank you.



Thanks, Matthias.

Let me finish this business and strategic update with Page 17. And just to put a little bit of color on the -- to a point that I made on cost discipline and CapEx discipline. On cost discipline, we have towards the end of the year reiterated, Dietmar, our general target that overhead costs should not grow faster than sales. That's a more general statement. Again, you cannot, in a situation where sales drop very dramatically, achieve that. But going forward, that's clearly the yardstick. We've also put in place a hiring freeze for all overhead and indirect functions, not only in Automotive but also for the corporate functions. And we'll exclude some high growth areas from this. But overall, we think with the buildup of people that we have seen in 2018, we are equipped to service the growth for the year that we are in. And on top of this, we have initiated a range of measures that are more targeted to the European plant, to improve productivity in plants, various things like looking at our part-time workers, there are issues that have to do with absence rates. So there's a range of issues, but also help to bring down the operating leverage and increase flexibility going forward. On the CapEx side, we reiterate the target CapEx to sales ratio for the group limited to 6% to 8%. Internally, we have now agreed with all our leadership groups a principle that we call earn the right to grow. Earn the right to grow means businesses that are below target in terms of profitability have to fix their profitability first before they get growth capital. It's a simple logic that people understand. And we will use the year 2019 to really implement that within the organization, also as a part of our strategic planning.

Then we have changed the setup of the CapEx committee. The CapEx Committee is now chaired by myself. It consists of Dietmar and Andreas Schick. Dietmar is the watchdog for the financial part and Andreas is the watchdog for the technology part. Hurdle rates have been redefined. There's a gross profit hurdle, a net present value hurdle, an IRR hurdle. You will understand I cannot exchange the hurdle levels at the moment, but these have been reiterated and tightened. And we will use the year to optimize also the flow of business cases into this CapEx Committee and be more restrictive in allocating capital to growth areas.

Last but not least, and that's in reaction on what we saw on the year 2018. When it comes to a proactive cash flow management, we have agreed with the Supervisory Board for the Board, but also for the levels below, a specific target, Mr. Schaeffler has called this the Strategic Target 2019. That is a subtarget of the short-term bonus. 20% of that short-term bonus will be allocated to this target. The target is stricter than in our normal SG&A and free cash flow incentivization, because it says, if you don't meet this target to smoothen the volatility of cash flow during the year, you will get no bonus. And if you meet it, you get 150%. So it has a carrot and stick logic, something new to the organization, that should help to focus people's attention of the importance of cash flow and also the importance to manage cash flow during the year in a very proactive manner.

That all goes together with portfolio optimization. And I want to just reemphasize what Matthias said. We will continue to grow the business. And you see here that in the years 2016-2018, we have been maybe not as experienced as others with portfolio optimization, but we have done the right things. We exited Schaeffler Motorenelemente and Schaeffler Hydrel, and bought new things. And we want to continue with this, in particular, under RACE with our M&A strategy for the acquisitions, but also have put all the assets we have, in particular, Automotive OEM, under a systematic review where the first range of non-strategic businesses have been identified and will be executed as part of program RACE. This is clearly something that is compatible also with our payout policy. And please be reminded, share buybacks are not an option that our main family shareholders include into the range.

With this, I hope we are finished on business and strategic update. And I hand over to Dietmar for more details on the numbers.

Dietmar Heinrich

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3 Financial Results FY 2018

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Key figures Q4 2018 and FY 2018

in EUR mn		FY 2017	FY 2018	FY 2018 vs. FY 2017	Q4 2017	Q4 2018	Q4 2018 vs. Q4 2017
Sales	1	14,021	14,241	+1.6% / +3.9%[1]	3,541	3,527	-0.4% / +0.3%[1]
Gross Profit ***Gross Margin***	2	3,846 *27.4%*	3,683 *25.9%*	-163 mn *-1.5%-pts.*	929 *26.2%*	816 *23.1%*	-113 mn *-3.1%-pts.*
EBIT[2] ***EBIT Margin[2]***	3	1,584 *11.3%*	1,381 *9.7%*	-203 mn *-1.6%-pts.*	388 *11.0%*	231 *6.5%*	-157 mn *-4.5%-pts.*
Net income[3]	4	980	881	-99 mn	192	119	-73 mn
EPS[4] (in EUR)	4	1.48	1.33	-0.15	0.29	0.18	-0.11
ROCE[2]		19.9%	16.7%	-3.2%-pts.			
Free Cash Flow[5]	5	515	384	-131 mn	268	257	-11 mn
Capex	6	1,273	1,232	-41 mn	400	375	-25 mn
Net financial debt	7	2,370	2,547	+177 mn			
Gearing ratio[6]	7	91.8%	83.2%	-8.6%-pts.			

[1] FX-adjusted | [2] Before special items | [3] Attributable to shareholders of the parent company | [4] Earnings per common non-voting share | [5] Before cash in-and outflows for M&A activities
[6] Ratio of net financial debt to equity incl. non-controlling interests

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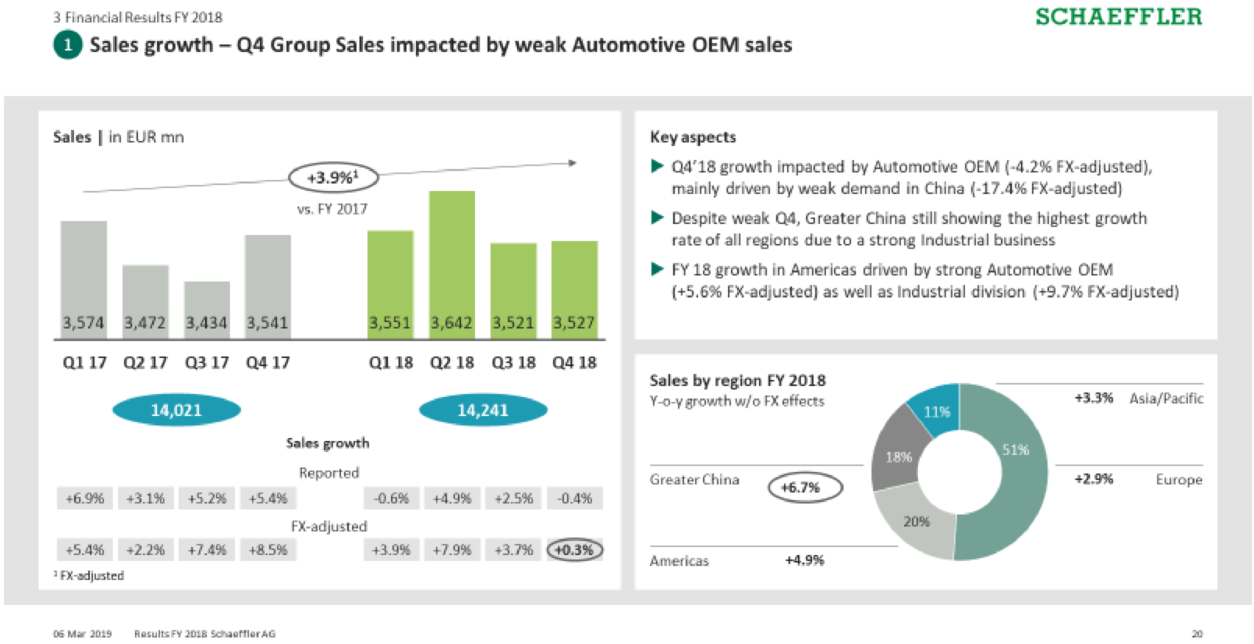
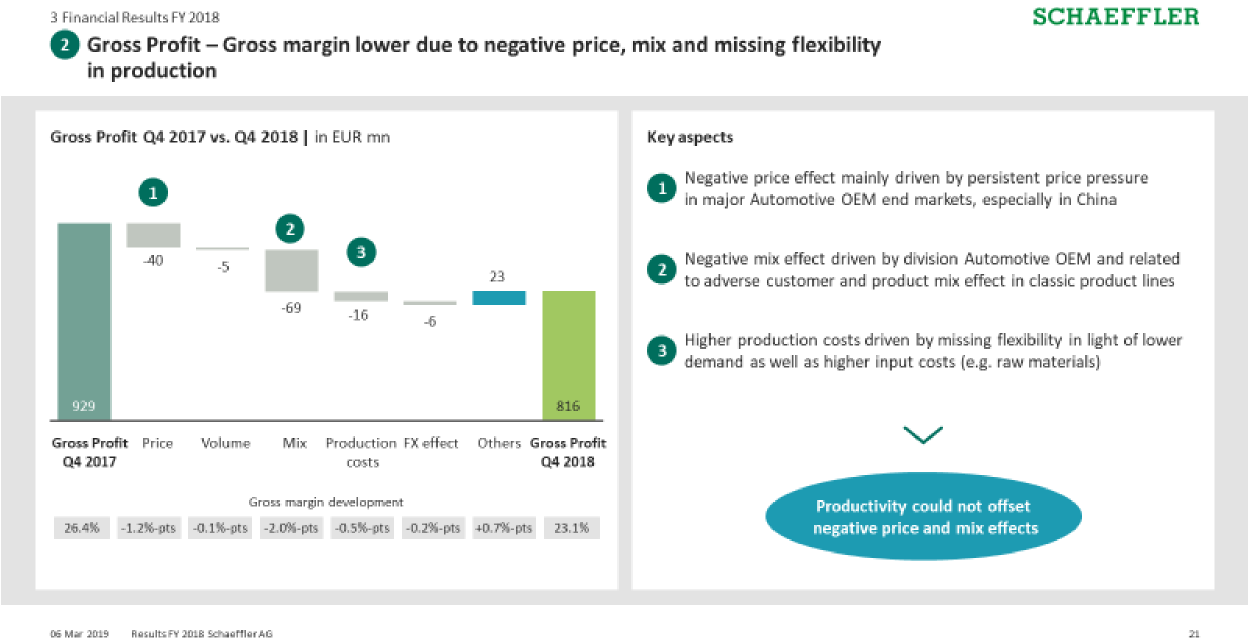
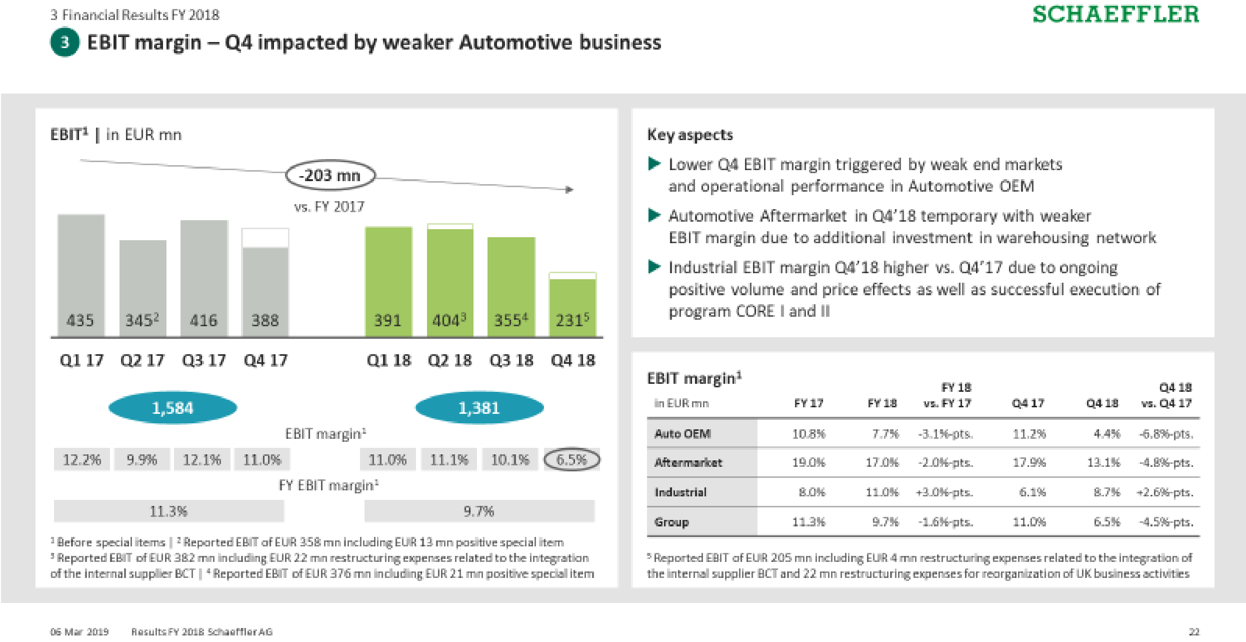
I would like to start actually with the 4Q on Page 19, looking to the overall figures, and just to highlight again that we achieved our revised guidance in regard to sales growth, in regards to EBIT, and also in regard to free cash flow.



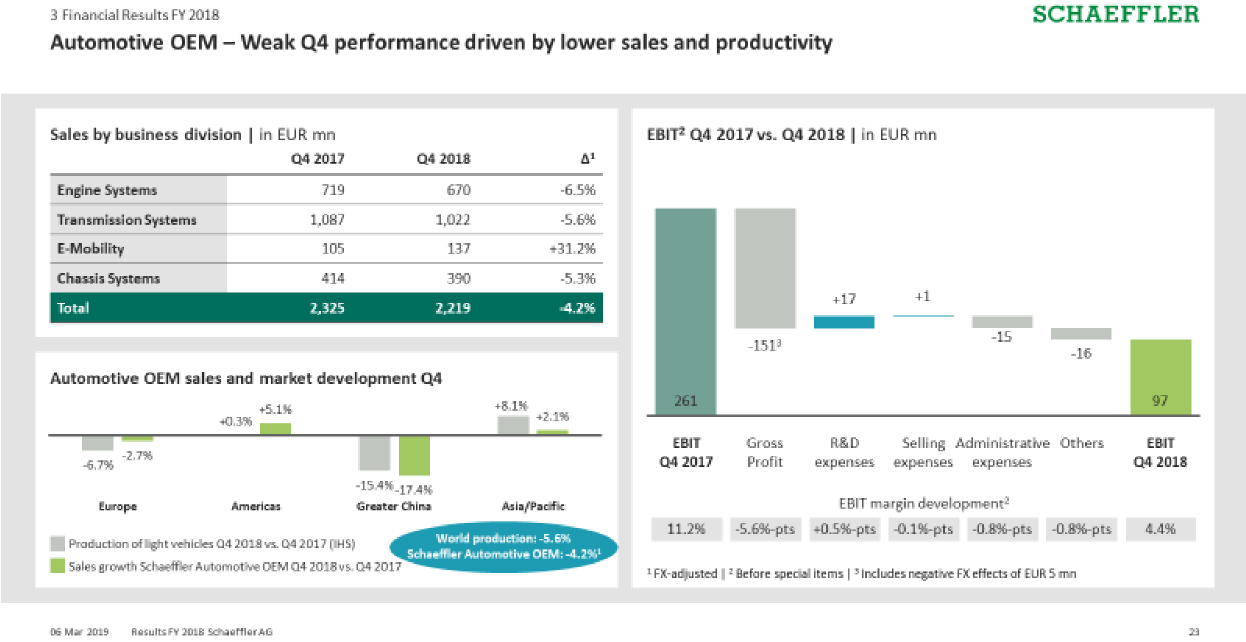
But moving then to the next chart and looking at how sales development was in the fourth quarter. We can see actually that the development was specifically -- significantly impacted our Automotive OEM business, mainly driven by weak demand in China, but also the weak demand that we saw in Europe. Despite this, overall, we still had the positive development in the regions China and especially America for a full year, but also the other 2 regions, Asia/Pacific and Europe, contributed to the growth in 2018.



When you then look more into the profitability development, and we start on Page 21 with the development of the gross profit. And we can actually see that in the fourth quarter our gross profit dropped then by more than EUR 100 million compared to previous year. We can see that actually, price had its impact, and we can see that there was a big mix impact in there coming from an adverse customer and product mix development in a well established, one could even say classic product line. Also, we saw, when we look at the production cost development, that the missing flexibility in light of lower demand due to the drop of sales and higher input costs, especially on the raw materials side, could not be offset then. At the very end, we did not manage then to offset with productivity the negative impact coming from price and mix.



Again looking into the EBIT development of the group, we see as a major impact, of course, the gross profit development in there. FX for the full year, our EBIT is at 9.7%. In the fourth quarter, we had crossed to a level of 6.5% which was, as described, caused by the development of gross profit coming from the demand side Automotive OEM. We also had some impact coming from the Automotive Aftermarket then, due to the further expansion in regards to our warehousing network, so that are basically project costs related to the AKO, our aftermarket kitting operation. And then that we have already announced quite some time back that we are speeding up or we are establishing a new European network in that regard. Positive contribution, and this is continuation of the good development that we saw during the whole of the year coming from our Industrial business, Klaus already mentioned on this, what's really a great performance from the colleagues last year coming from the positive volume, but also from price effect and also and especially what we are proud about, the successful execution of our program CORE I and II, which gives us really a very high level of confidence, then, to do RACE program, just as Matthias described, this all in very successful manner.



Then moving on to Page 23, looking to the Automotive OEM development. As already mentioned, lower sales and the negative impact. Then on the gross profit, we can see here on the right side that there was a drop of around EUR 150 million coming from gross profit. Klaus already mentioned that half of this was caused by the gross profit in China. And I can add that, basically, the remaining part was caused in the gross profit on the European side also, being driven by the demand development.

One thing that I would like to stress, also here, is the gross profit drops also include impacts from IFRS 15 due to reallocation, then R&D spend when we are actually selling these R&D services to our customers, their costs actually move up into the cost of goods sold area, influencing the gross profit by around 1.2 percentage points. Out of the 5.6 that we see here, 1.2 is caused by the IFRS 15 impact. And you can see, on the other side, the positive impact then that the R&D spend has been lower. We mention here a positive contribution of EUR 17 million. And then, accordingly, with the shift from R&D expenses to the cost of goods sold I would also like to highlight this, but also on the other side, we had a quite strong negative foreign exchange impact on the EBIT level that is actually recorded here in the other area.

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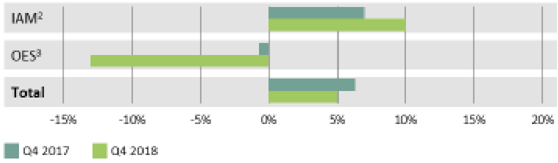
Automotive Aftermarket – Q4 with good growth momentum, profitability lower mainly due to higher warehousing costs

Sales by region | Y-o-y growth

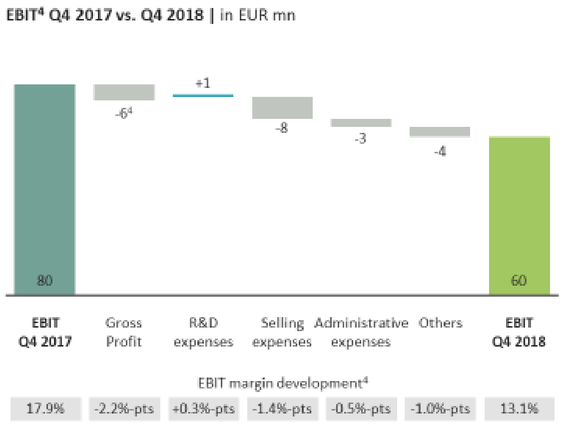
	Q4 2017	Q4 2018	Δ[1]
Europe	328	339	+4.5%
Americas	93	89	+3.6%
Greater China	14	18	+29.2%
Asia/Pacific	11	12	+2.1%
Total	**446**	**458**	**+5.0%**

Automotive Aftermarket sales growth by channel Q4 2018[1]



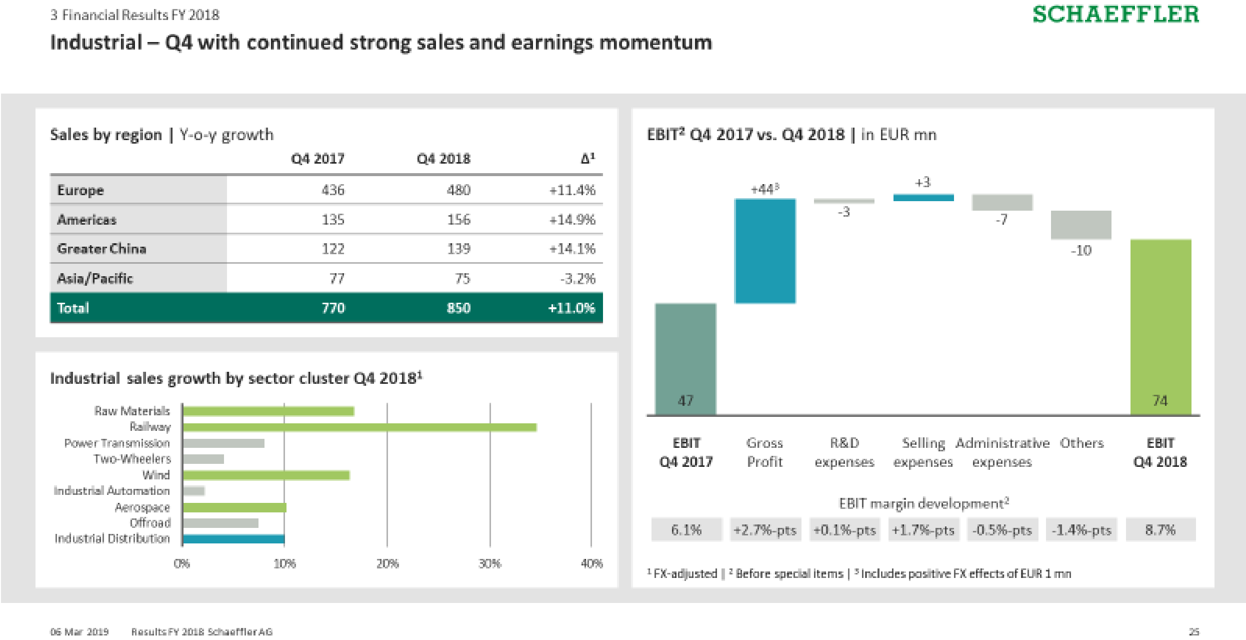
[1] FX-adjusted | [2] Independent Aftermarket | [3] Original Equipment Service

EBIT[4] Q4 2017 vs. Q4 2018 | in EUR mn

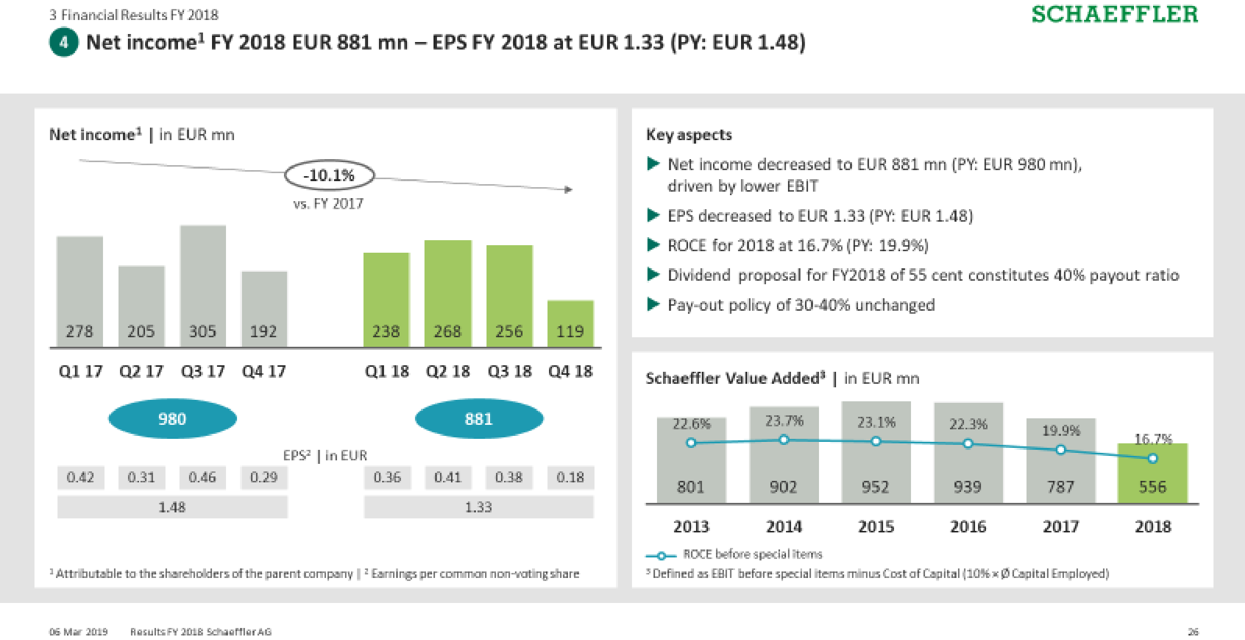


[4] Before special items | [5] Includes negative FX effects of EUR 5 mn

With having said this, I move on to page 24, highlighting the developments in automotive aftermarket. We had a recovery regarding the growth momentum after a weak 3rd quarter now a growth of 5% in the 4th quarter, on the profit level, nevertheless we had to record a decline from 17.9 to 13.1%, a major impact in there is the logistic cost in conjunction with the AKO project, it is a drop in sales price that is recorded in the gross profit and we also have a negative foreign exchange impact there amounting to around 5 million EUR.



Then moving to the Industrial colleagues side. And again, highlighting, first of all, the positive sales development with a growth of 11%, which is a continuation of the strong development that we saw through the quarters of the year. And we see that the positive impact on the profits side with an increase of EBIT level in the fourth quarter to 8.7%, mainly driven from gross profit, and therefore, volume and price development. Nevertheless, also, we had to accept some negative foreign exchange impacts that you basically can see in the other area.



Now moving on to the net income. Then due to the EBIT decline, also, our net income decreased, but not to the same magnitude. We realized a net income of close to EUR 900 million. So the financial results helped to compensate some of the operational impact. Our earnings per share decreased to a level of EUR 1.33 per share. Nevertheless, as Klaus already highlighted, in conjunction with the free cash flow development, this enabled us then to maintain the dividend with EUR 0.55 as preferential share, as we did last year, as it is equal to a payout ratio of 40%, which also highlights that our payout policy of 30% to 40% remains unchanged.

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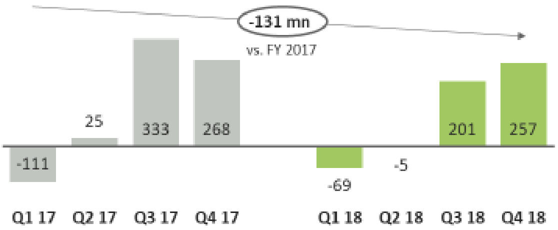
5 Free Cash Flow before M&A[1] FY at EUR 384 mn (PY: EUR 515 mn) – Capex Ratio FY 18 at 8.7%

Free Cash Flow before M&A[1] | in EUR mn



	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18
FCF reported	-130	41	333	244	-71	-5	202	96
FCF Conversion ratio[2]	30%	18%	21%	22%	24%	22%	17%	17%
Capex ratio[3]	8.4	8.5	8.1	11.3	8.6	7.9	7.4	10.6

[1] Before cash in- and outflows for M&A activities
[2] LTM FCF before M&A divided by EBITDA before special items | [3] Capex in % of sales

Key aspects

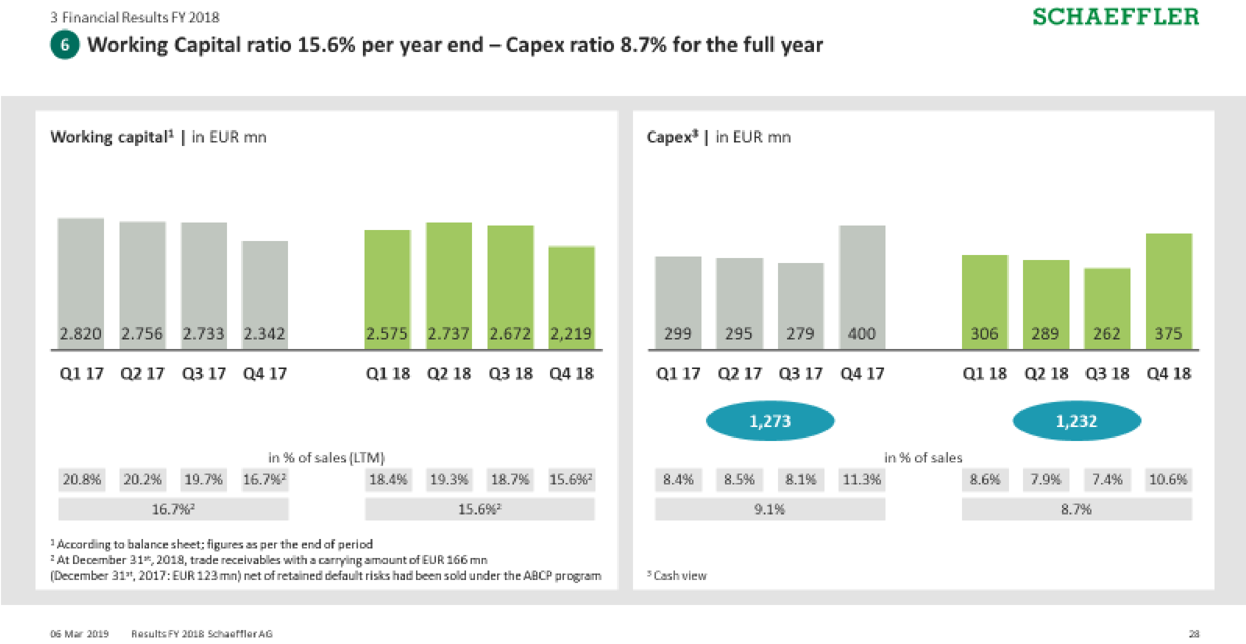
- FCF before M&A[1] at EUR 257 mn in Q4'18 (PY: EUR 268 mn), FCF conversion ratio 17%
- Lower EBIT as main driver for decrease in FCF before M&A[1]
- Capex to sales ratio reduced to 10.6% in Q4'18 (Q4'17: 11.3%)

FCF Details | in EUR mn

	Q4 2017	Q4 2018	*Δ Q4 17/18*	FY 2017	FY 2018	*Δ FY 17/18*
FCF as reported	**244**	**96**	***(148)***	**488**	**222**	***(266)***
Non recurring items[4]	72	21	*(51)*	175	106	*(69)*
AKO/EDC/Focus[5]	54	50	*(4)*	120	83	*(37)*
M&A	24	161	*137*	27	162	*135*
Receivable Sale Program	(96)	(7)	*89*	(150)	(54)	*96*
	298	**321**	***23***	**660**	**519**	***(141)***

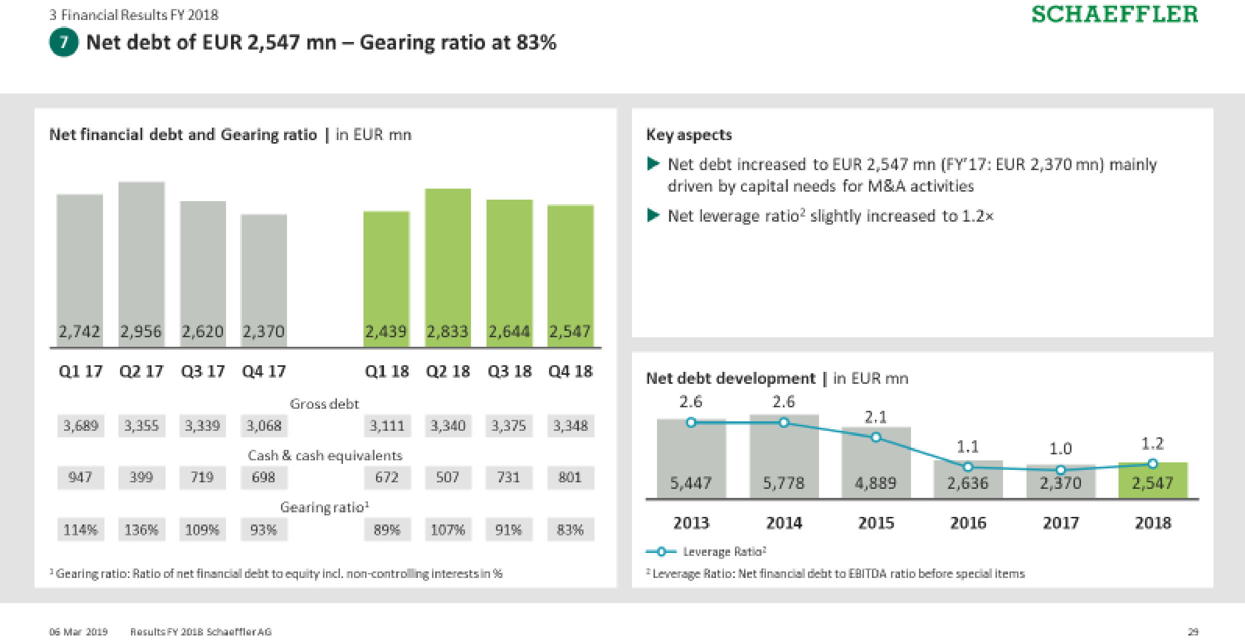
[4] Including payments for legal cases and restructuring measures | [5] Capex in major logistic projects Aftermarket Kitting Operation (AKO), European Distribution Center (EDC) and initiative Focus

Then moving on to the free cash flow development that you can see on Chart 27. Actually, and free cash flow of EUR 384 million before payouts for M&A activities, then. So this is also a key development that we especially had in the fourth quarter. And you can see on the lower right side in the table, then also the explanation. And you can see that there are nonrecurring items actually became less compared to previous year, but still they are there. You can see the payout in conjunction with our AKO, and European distribution center and the strengthening of the headquarters. Then the -- what is also important now to keep in mind when we talk a little later about the net debt development, the payout for M&A activities, and on the other side, the impacts from the receivable sale, our ABCP program. So overall, then fundamentally, a cash flow of a little bit over EUR 500 million, if you eliminate what we consider this impact.



If we then moving on to working capital side, you can see that the working capital ratio decreased compared to previous year to a level of 15.6%. The main driver for the drop from Q3 to Q4 are, on one side, the receivable development. This is the caused by the drop in sales that we had to accept finally in the fourth quarter, but also then this is caused by the effect that actually we also tried to adapt to the drop in sales and also adapted our inventory levels significantly. We started with this activity last summer vacation, and we achieved a good progress, especially in the fourth quarter.

On the right side, you can see the CapEx development, down now to 8.7%, a pro forma level of 9.1%. We had a little bit higher fourth quarter which was caused actually by the fact that the significant payout was moved from Q3 to Q4. But Klaus also highlighted the basic direction of our group, then looking ahead into the future, moving back into the area of 6% to 8%.



And then, finally, looking to the net debt development. Then the net debt slightly increased to EUR 2.547 billion. And then -- and as you can see, this is basically caused, as already mentioned, in conjunction with the cash flow development explanation by the M&A activities. Overall, our equity ratio improved now to 25%. And from my point of view, our balance sheet is becoming more stable and more resilient in line with this development as well.

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Reported and adjusted comparative figures FY 2018 – BCT integration triggers adjustments

FY 18 – Reported and adjusted comparative figures

Group	FY 18 – Reported	FY 18 – adjusted comp. figures	Δ
Sales Growth[1]	3.9%	3.9%	-
EBIT Margin[2]	9.7%	9.7%	-
Free Cash Flow[3]	384 mn	384 mn	-
Auto OEM			Δ
Sales Growth[1]	2.1%	2.1%	-
EBIT Margin[2]	7.7%	7.5%	-0.2%-pts.
Aftermarket			Δ
Sales Growth[1]	2.2%	2.2%	-
EBIT Margin[2]	17.0%	18.2%	+1.2%-pts.
Industrial			Δ
Sales Growth[1]	10.1%	10.1%	-
EBIT Margin[2]	11.0%	10.9%	-0.1%-pts.

[1] FX-adjusted | [2] Before special items | [3] Before cash in-and outflows for M&A activities

Key aspects

- BCT ("Bearing & Components Technologies"), which had previously acted as an internal supplier, was integrated into the Automotive OEM and Industrial divisions starting 1st of January 2019
- Clear target of the BCT integration is the strengthening of the divisional management as well as a simplified structure, reduction of overhead and less allocated costs

Drivers for the adjusted comparative figures FY 18

- Changed allocation of costs as the risk of fluctuations in production costs during the year 2018 is borne exclusively by the two producing divisions Automotive OEM and Industrial
- In addition, under the reorganization the functions and plants previously assigned to BCT were integrated directly into the two producing divisions

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And then looking to, yes, my last chart, we have seen a significant change that we announced to you yesterday, with actually using our bearing or -- using the bearing and component technologies division, it's not really a division, it's a unit in the company in a different way. In the past, it was kind of independent unit that serviced both divisions, Automotive OEM and Industrial. And we decided last year to clearly integrate this unit into the Automotive OEM. And in the Industrial division, we started with an interim organization as per July 3. And now as per January 1, then the complete integration is done. And due to this integration, then also, we decided that in future cost fluctuations coming from production costs development will not be forward anymore to the entity or the unit that actually sells the product, but stay in the region and also stay in their respective division. And then in addition to this, we improved the decentralization of overhead costs, like logistics, like customs duty. And you can see the impact on the right side then with the adjusted figures, that usually is integration of BCT, then from a fiscal year 2018 reported, then comparable figure for the EBIT and Automotive OE would then be 7.5%. The Automotive Aftermarket division actually would see an increase in the EBIT from 17% to 18.2% due to maintaining actually the cost deviations in the factory within the unit that actually it's running the factory. And on the industrial side, it's a small change that actually their adjusted figures are dropping by 0.1 percentage point. So that also gives you then the explanation in regard to our guidance. And yes, we're looking to -- or talking about guidance, we are talking about outlook. And with this, I would like to hand back then to Klaus.

Klaus Rosenfeld

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Cautious Guidance 2019 – Financial Ambitions 2020 abandoned

Group Guidance

	Actual FY 18[1]	Guidance FY 19
Sales growth[2]	3.9%	**1 - 3%**
EBIT margin[3]	9.7%	**8 - 9%**
Free Cash Flow[4]	~ EUR 384 mn	**~ EUR 400 mn**

[1] Adjusted comparative figures | [2] FX-adjusted | [3] Before special items
[4] Before cash in- and outflows for M&A activities

Divisional Guidance

Automotive OEM		Automotive Aftermarket		Industrial	
FY 18[1]	**FY 19**	FY 18[1]	**FY 19**	FY 18[1]	**FY 19**
2.1%	**1 - 3%**	2.2%	**1 - 3%**	+10.1%	**1 - 3%**
7.5%	**6 - 7%**	18.2%	**15 - 16%**	10.9%	**10 - 11%**

Market assumptions 2019

- Automotive OEM: Decrease of global passenger car production of around **minus 1%**
- Automotive Aftermarket: Slower growth in the global vehicle population and a nearly unchanged average vehicle age
- Industrial: Slower growth in industrial production in 2019 than in 2018

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Thanks, Dietmar.

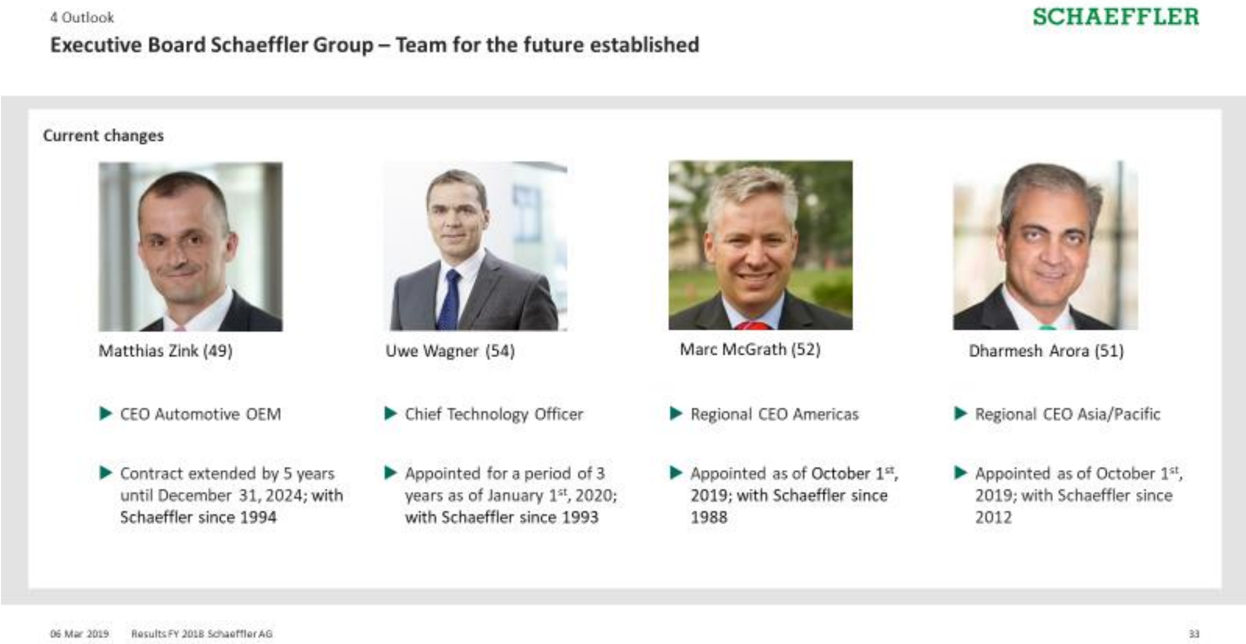
Before I come to the numbers, let me stress again that we are cruising through an environment that is quite challenging.

Just to mention 4 things. I mentioned the growth prospects that are, from my point of view are at best subdued, the huge decrease in the global car production. We are projecting a minus 1% slower growth in industrial production and will also be a fact for the midyear 2019. Now the trade tensions, the risk of a hard Brexit, that is very difficult to assess. And also, the increasing competition change and the paradigm change in the automotive industry. Against that backdrop, we are being cautious of our guidance 2019 because we want to definitely make sure that there are no surprises for us in that year.

You see on Page 32 the new numbers: 1% to 3% for group in all the 3 divisions. You also see the margin, 8% to 9% for the group, 6% to 7% for Automotive OEM, 15% to 16% and 10% to 11% for the 2 other divisions. And what Dietmar just said, it's described on this page, the comparative figure for 2018 to the 6% to 7%, it's not 7.7%, but 10.5%, and not 17% but 18.2% for Automotive Aftermarket, and a little drop in Industrial. Please make sure that, that is fully understood because it's important that there are no misunderstandings here. This comes from the reallocation of certain expenses, particularly due to the BCT alignment.

Let me also use this page to highlight once again the free cash flow, and Dietmar already gave one of the explanations why we think EUR 400 million is doable. Don't forget, when you look at the free cash flow details on Page 27, some of the nonrecurring items will disappear during the year 2019, basically, payments related to provisions we made for legal cases, and therefore, also supports the cash flow. We clearly want to protect our free cash flow. And for that reason, we guide at around EUR 400 million. And with the new targets, the strategic targets that we agreed with the Supervisory Board for all board members at the next level, I think we have the right incentivization, additional incentivization in place. And we'll take action, if necessary, on CapEx and net working capital optimization in order to guarantee full target achievement.

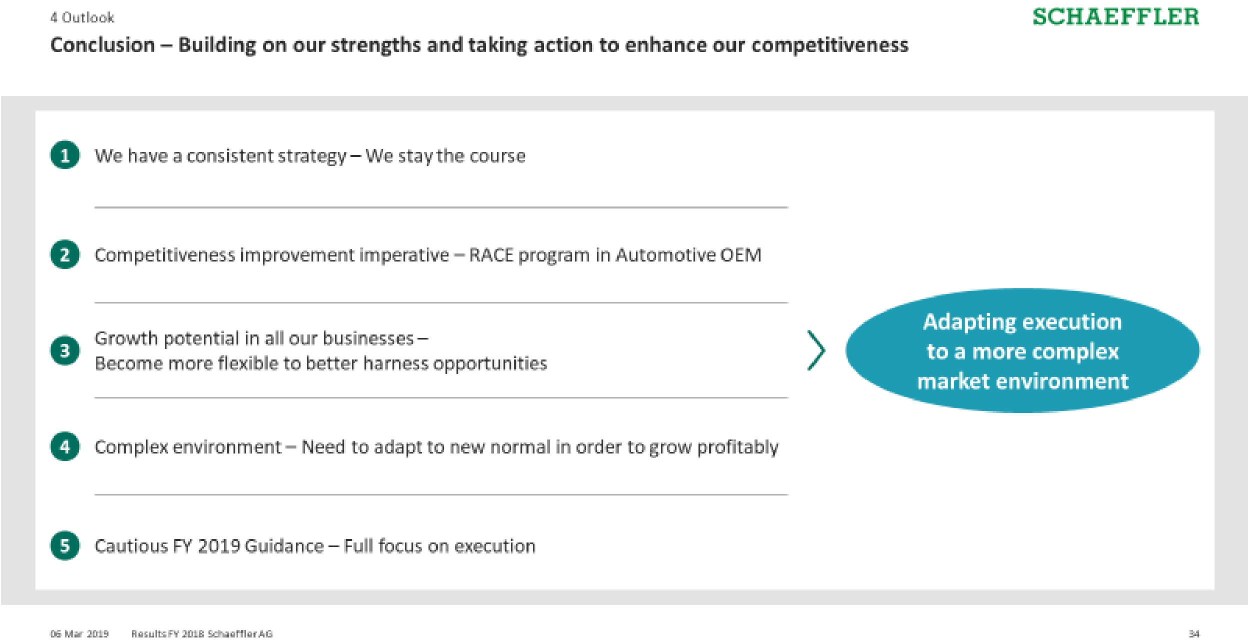
Before I come to the end, let me also -- because this will be a question anyhow, say something on the current trading. We started okay into the year. I can say for the 3 divisions a rather light start in Automotive OEM, but it should be within the ranges when it comes to EBIT margin. We need to see what happens with sales. There is Chinese New Year, and typically the quarter is impacted by that. It was a rather weak start in Automotive Aftermarket, that is a little bit of a concern. We'll see what the quarter is going to bring. I already mentioned that, if need-be, Michael Söding will put in another set of initiatives, and the starting out in Industrial was rather strong, so the good development from Q4 seems to continue, maybe not with the same slope, but it's continuing to grow above expectations. But that's a good indication there.



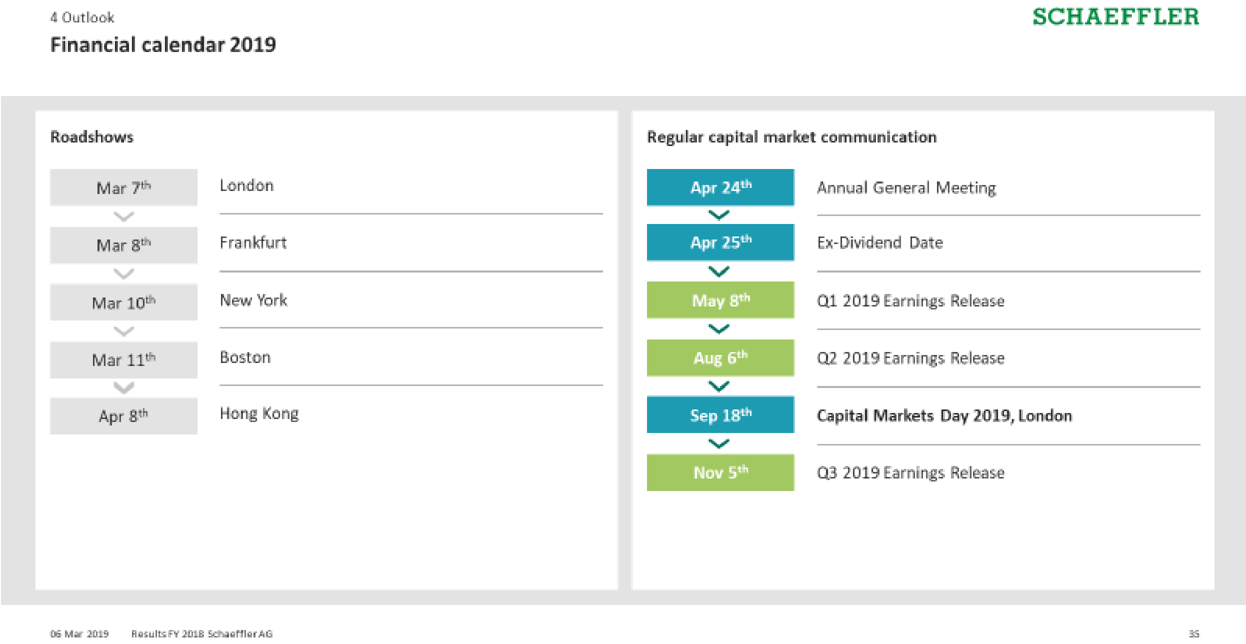
From the short-term to the more long-term, and before concluding, let me reiterate again the changes we made to our Executive Board. Matthias is now the sole CEO Automotive, after having served as co-CEO with Peter Pleuss who retired. We've also Professor Gutzmer, who retires at the end of this year, by a new, very ambitious colleague who has served as the Head of R&D, both for Automotive and Industrial – an ex Bundesliga Ringer – a great guy with the right ambition to also manage R&D more proactively. And I'm very proud that the whole group becomes more international.

Marc McGrath is a long-standing talent from the Midwest in the United States, more than 30 years of experience with Schaeffler. He will become the CEO of Americas as of October 1, will join me on the road show next week in the United States. And some of you have already met him. And last, but not least, there's an Indian guy coming onboard. He replaces our CEO Asia/Pacific on October 1, 2019, as well. He headed Schaeffler India. You may recall that's the only listed entity we have in the group. He has done the merger there. He has long experience with GM, also a great guy.

And with this full consolidation now being complete, I first want to thank the colleagues who contributed in the last years with the experience and the drive to the growth of the company. You see we have a strong bench, and that's important going forward when it comes to master the challenges that we have.



Page 34, ladies and gentlemen, sums it all up. I'm not going to read that page to you, but just reemphasize how important it is to execute properly in a more complex market environment. I do believe that the 2 -- next 2 years will be tough and complex. Tough times don't last forever. Tough teams do. And that gives me confidence that we will also deliver on the new midterm targets that we will share with you sometime midyear, midyear 2020.



With this, I hand back to Renata, and thank you for your attention.

Q AND A SESSION

Raghav Gupta-Chaudhary, Citigroup Inc

Two topics for me, one on Automotive and the second on free cash flow. Automotive margins of, say, 4.4% in Q4. On the back of negative 5% sales growth, the margins compressed 700 basis points. I heard your comments on China on price mix and kind of read what you said about difficult conversations with customers. Even if we give you 250 basis points back to China and margins are still less than 17% in Auto OE. And that represents, I would say, an almost unprecedented deterioration as far as decremental margins are concerned. And how much of this is customers putting pressure on you as a result of you being a supplier of legacy technology? Let me ask the free cash flow one as well. Sorry for the background noise. Earnings on the negative trend for 2019 and free cash flow guidance is a positive offset for that. How should we interpret that? Is that a switch away from kind of you investing as much in future tech and to drive the business and free cash flow?

Klaus Rosenfeld

Thank you for the 2 questions. I think the first one, if I understood it correctly, was how much was price pressure from customers. I can say that price pressure was to a normal extent during the whole year. We digested, to some extent, discussions from the last year that impacted the margin, but it was not the main driver of this. And once again, I would like to reiterate the point that I made. You cannot judge a margin of the Automotive OEM by a quarter. The quarter was exceptional, because the downturn in China was exceptional. If you have a minus 17% drop in one of the areas where you earn a lot, then that has these kinds of impacts. And we said to you, of the minus 150 gross margin loss in Q4, half of this came from China. And if you take that, that explains a significant drop. If your question is geared to – where is the trough? We should not see 4.4 as a basis there. If you just for the sake of argument take Q3 and Q4 together, and build an average, you are somewhere 6. something, and don't judge this business by one quarter, judge it by a development, so I believe the 6 to 7 that we gave you should serve for the time being as the trough..

Raghav Gupta-Chaudhary, Citigroup Inc

Can I ask a follow up, maybe ask the question slightly differently? When you look at the new orders that you took in 2018 on pre-existing from Schaeffler components, what margin level are you expecting, are you budgeting to generate on those products?

Klaus Rosenfeld
Matthias, you want to answer that question?

Matthias Zink
Well, I would say that's a rather similar margin. I would not say significantly less. The new orders, for sure, I guess, that's no secret. I guess, the price pressure outside there is tough right now, because everyone wants to finance a new business, every OE wants to finance the new business on the, as you call it, legacy or in this business. But seeing the new orders, the price level, I don't see a significant difference. Don't ask me for 0.5% or 1%. It's about it. So somewhere in the corridor, we know in the couple of years. So it's not that we have throw them out for 3% or something. It's the usual competition, similar level, let me say that, right?

Raghav Gupta-Chaudhary, Citigroup Inc
I guess. And then on the order book, have you seen any cancellations? And I guess, on the point of visibility that you're making, Mr. Rosenfeld, have you changed anything in your internal processes to give you better visibility of kind of slowing production or demand from customers?

Klaus Rosenfeld
Look, we have as part of RACE and as also before, we have put much more focus on the order book. Matthias is controlling this on a day-to-day basis and reports to the board what he brings in. And we clearly question if orders come in below certain thresholds. That's what I also said about the CapEx committee. Orders normally also trigger some sort of cash CapEx. And therefore, on the big orders, we examine this very carefully and decide whether we want to do it or not. It's a negotiation. That is not just like retail business. It's a case-by-case decision. But they need to pay off. They have different tenets. And so far, I think Matthias is disciplined that has become stronger. And therefore, again, we feel that on that front, we are better in shape than where we have been before.

Raghav Gupta-Chaudhary, Citigroup Inc
Okay, clear. And on the free cash flow, please?

Klaus Rosenfeld
On the free cash flow, okay, your question is legitimate. But again, I would like to guide you again to this Page 27. And Dietmar mentioned that. If you look at the FCF

details and take the reported cash flow, you end up at 2-point -- EUR 222 million. If you add back the EUR 162 million M&A, and that was basically Elmotec and -- sorry, Paravan, excuse me, Paravan, not Elmotec, you'll get to the EUR 384 million. But in the cash flow, you have some nonrecurring items of EUR 106 million. They will not come back in 2019. If you add that back and assume that this is not a cash outflow in the year 2019, you see that the EUR 400 million is definitely a number that we can reach if we are disciplined on CapEx and working capital developments.

Akshat Kacker, JP Morgan Chase & Co
3 quick ones, please, on core automotive. The first one, can you please take the chance to revisit your strategy when you think about expansion with Elmotec and into e-motors? We have seen some of your competitors needing high investments and seeing margin pressure in that business division. The second question and coming back to what Raghav was trying to ask, I think if we look at the bigger step-down in margins from 13% in 2016 to the current level, it is obviously a function of higher investments and losses in E-Mobility and higher R&D, can you just share your latest feedback on what do you think the financial impact is in the medium term? And third and the final one is, sorry, again on the pricing pressure. We've seen some impact in 2017. You're mentioning again in 2018. And you also know, obviously, that the RACE plan coming into place now to tackle this issue. But into 2019, do you plan to offset these incremental pricing pressures with production efficiencies?

Klaus Rosenfeld
Well, let me start with the first one, and Matthias is going to jump in. I don't really understand what you mean by revisit our strategy. We have a clearly articulated strategy what we want to do in E-Mobility. We've built our strategy around the strengths we have in high-precision mechanical engineering that has a significant competitive advantage to others, because most people don't know how to do that. On that basis, we have added further more complex modules where you need systems understanding, the electric motor competence and the steps that require not only complex dynamics, but also Elmotec was seen as a significant step forward by our customers. Matthias can share that with you. But there were some customers that were changing the way they are looking at their current modules at the moment by simply saying, if Schaeffler can do that as well, then that's a very important step forward. Same holds true, by the way, for Paravan that has given significant calls from customers where we can work together. So I don't really understand what you mean by revisit the strategy there. We will not revisit the strategy. We'll execute the strategy. That's my view. And in terms of the buildup of

the portfolio for E-Mobility and the margin impact and the pricing, Matthias, do you want to add something there?

Matthias Zink

It goes a bit in line with the strategy as such. We said we want to strive as well for a reasonable value-add on the E-Mobility side. And this is why we acquired this Elmotec thing. Given the reaction of our customers, as Klaus said, we just had the first prototype orders for e-motors for several projects in prominent OEMs. So I would say strategy as such pays off. And this goes in line with the topic profitability of those orders. I cannot disclose the profitability on those orders being in the pipeline, but have again higher access to the value add, having this wide ranging technology, being in the position to save our own sheet-metal for the electromotor for the state of the rotor and the widening technology, doing a high power density technology and all that stuff and the integration to the modules that gives us a certain headroom of rhythm for as well as defining the margin. So I would not yet per se say it's less margin on E-Mobility. At least it's not less return on capital employed. That's still our target, Klaus, right? That's what we strive for. Maybe a little different kind of capital employed, but that again goes with the value at factor, and there we are in the middle of executing that.

Klaus Rosenfeld

And let's go back to the pricing pressure and the rationalization issue. Sure, you need to all digest program RACE. But in Program RACE, we have announced this morning that we will consolidate 5 European plant allocations. That is unforeseen at least for Schaeffler. It may be smaller locations, and we may think about sort of sale of plants or anything like that. But this should give us a much better productivity throughout the years. And we have said this is the start. You know what we have announced in the U.K. But there is a clear sort of action plan in place how to tackle the productivity issues in the German plants and the European plants. And that's what we want to execute now. Whether that really is able – whether we are able to fully synchronize price pressure, that has always been there, with quarter-by-quarter cost improvement is a different thing, but I see from this RACE program that we address and tackle the right issues.

Christophe Boulanger, Barclays Capital

I will have 3 questions. The first one is with regard to your restructuring charge. When is the cash impact supposed to come, for the EUR 60 million of saving charge, you're going to take it in '19? When do you expect it to move into the cash flow statement, which is the first question? And the second question is on your net leverage ratio reported at 1.2x at the end of last year. How do you expect it to develop this year? According to my calculation, they are likely to go up. And if so, do you have any targets in mind, which is the second question? And the last question is really on IHO Verwaltung. In the past, you used to report the amount of cash sitting at this entity. Could you share with us what was the amount of cash in hand at the end of 2018?

Klaus Rosenfeld
Okay. Thanks, Chris, for the question. Out of the top of my head, but I need to look this up. I may be wrong. The gross debt and -- or the normal gross debt at IHO Verwaltungs is EUR 4.3 million. And the cash balance there should be close to EUR 1 billion. But we need to see when the colleagues start the bond side, we will -- we can share that with you. In terms of leverage ratio, the 1.2 is the current ratio. We have always said we want to finance growth organically by internal cash resources and external growth by external sources. Again, there is some smaller stuff in the pipeline, I think, that is really big. So it will be a function of what we do in terms of acquisitions. We have on purpose that we will going forward look at the gearing ratio, not so much at the leverage ratio. One thing is for sure, we want to protect our investment-grade rating, and that's a function of the leverage impact, but more a function of the profitability. And the cash impact for the EUR 60 million remains to be seen. It's a question how fast Matthias can execute on the program. EUR 60 million here is not only personnel measures. Don't forget, we said we want to exit some of the plants and businesses, also the sales transaction. It's also something that is related to infrastructure things. But I do not believe that this is going to impact the cash flow statement in 2019. It's rather a 2020 item.

Julian Radlinger, UBS
2 questions from my side. The first one, a simple one. Can you talk about portfolio optimization and potential divestitures of noncore businesses? Can you just give us a sense of what the total size of noncore businesses is in your portfolio and what that contains?

Klaus Rosenfeld
Again, we are not going to share a revenue number. It is a start and gives me the option to talk again about RACE as something that has three phases, we start with the first wave, and the first wave Mathias you can maybe shift a bit more to this, we have identified a hand full of things that we want to look at. I'll give you two or three examples. One is what is called "Handschalter" in German, the manual

transmission part. That is a business that is not growing, it is a business where you do not see big innovation and it is clear that it is something where we think we should not really be in that, there are better owners. So that is everything that goes around the manual transmission. The second area is something that has to do with change, in the engine side where you think it is a proper business for us, we make some money there, but going forward that is not where we should in, we should rather swap this against something else, and there are also other engine related parts where we think that could be something that should find a better parent together with some of the transmission areas, really smaller products, that is also why the number is not really very big, but it is important that we execute this properly and reinvest the money. Don't forget that also our M&A strategy is nothing that builds on billions on investments. So let's start with the smaller things. For me the most important thing is that Mathias has committed with his team to have full strategic review of the overall portfolio and there we need to see what the outcome is, that you cannot do between November and January, you need to do it properly and that is what we are working on for phase 2.

Julian Radlinger, UBS
Okay, great. And then my second question, Klaus, is a more general one. Bear with me. So over the past 2 to 3 years, we've heard you say time and again that you believe the market doesn't correctly value the Schaeffler equity story, trading on such a discount to the other suppliers in the sector. And in response of that, you've invested in your IR team. You've held Capital Markets Days with the full management team on an annual basis and so forth, measures which I think no one here would criticize per se in any way. But it's 2019 now, you're guiding for an EBIT margin. In auto, you closed to half of what it was just 3 years ago. So some could say the market must have been right all along to value Schaeffler at a discount or could say that. So my question is, looking ahead at all the headwinds you're expecting this year and your long-term outlook and your positioning, how would you describe the Schaeffler equity story today? What makes an investment into Schaeffler attractive for an institutional investor today?

Klaus Rosenfeld
Well, Julian, it's a very good question. But I have to say, my purpose today was to share with you the results and to share the reasons of what has happened and to be transparent and also share with you some of the actions we have put in place. And again, we're not sitting here and I'm not able to explain the results if we're not sitting here without some sort of an action plan. So this is not a Capital Markets Day. And the fact that we said we're not going to revisit and update our 2020

targets, and I am to some extent asking myself, what did we do wrong on the Capital Markets Day and what did we not see that others may have seen. But I don't have an answer to that. That is different than others. It's a transition going on. We have always said this, it's a step-by-step transition. That is in some areas painful. But we are fully committed. That's the only answer I can give you. And I'm happy to think about how an equity story should be rewritten. But before I can do this, I need to cope with the day-to-day challenges that we are seeing. And some of them came quicker than we expected. And maybe at some point in time, someone is giving us credit for the good things we have been doing. In industrial, yes, you may want to see another quarter or 2 that is stable. But industrial is a success story. And there are all sorts of things that go in the right direction. So now we need to build on these positive things. We need to address these things that are not going in the right direction, and we're committed to do so.

Cyprian Yonge, Bernstein.
2 from me. The first is on the Aftermarket. Could you please provide a bit more color on what's driving this decline in EBIT margins in 2019? Is this the higher price pressure from customer consolidation that you mentioned?

Klaus Rosenfeld
That is clearly one of the reasons that we need to work a little bit harder on. But this is not an environment where there is no competition. And therefore, that point that you just mentioned is clearly one of the issues.

Cyprian Yonge, Bernstein.
And would you be able to give a bit more color on what the other issues are?

Klaus Rosenfeld
The other issues are, as I mentioned before, it's volume. And there is -- on the margin side, there is this impact from the investment into the logistic center, but that's more a one-off, because at the moment, we are running a new center that costs some money and still the existing centers are not off the network, and that is a little bit of duplication that will impact also 2019 margin level. That's one of the reasons why we said 15% to 16% should work. That duplication effect will go away when all of the activities are transferred into the new logistic network.

Cyprian Yonge, Bernstein.
Okay. So is there any structural reason why you cannot get your Aftermarket margins back to the 18% level.

Klaus Rosenfeld
Well, I'm not the Aftermarket specialist. Maybe some of the colleagues can jump in here. But the market side is the market side. And Michael keeps telling us that yes, there are some headwinds there as well. Let's see what the first quarter brings, and let's see how we focus on further efficiency improvements if necessary.

Dietmar Heinrich
Yes. I think what we also need to take into consideration is that we are changing -- we are expecting the business in certain regions where we have not been so strong before. And you can see from the sales that actually Europe is still the biggest for us and also business -- we're spending into China business. We have to do work there as well. And we are also improving the sales channel pipeline, more digitalization that is also advanced that we need to do in order then to realize the benefit later on.

Cyprian Yonge, Bernstein.
Okay. Okay, that's very clear. My second question is on China. It's kind of a rephrasing of Raghav's question at the beginning. You said that price pressure from OEMs is no worse than it's been in the past and that most of your margin decline in China is from the volume slump that we've seen recently. Does that mean that if volumes recover -- and we're obviously seeing some encouraging signs in the first couple of months of the year, if volumes recover, can you get back to the levels of profitability you saw as recently as the first half of 2018?

Klaus Rosenfeld
In principle, yes. But again, it -- the answer to this is not black and white. It depends. And with the market position we have in China, with some of the classical products we do, if there wouldn't be any mix impacts, the answer is simpler, that needs to have some mix impact. But some of the high-margin products from the past will not continue as fast to grow as they have been. And therefore, the mix impact needs to be taken into account. That's I think what I would say. Matthias, do you want to add to that?

Matthias Zink

You're absolutely right. So there are a lot of products that we are pretty stable, some even Chinese competitors are, I guess, bringing to Europe. So it's really a matter of mix. But basically, if the market would come back with the same customer structure, with the same product structure, we would be back on the similar level as 2018 first half, yes.

Cyprian Yonge, Bernstein.

Okay. And so if I could just ask one small follow-up. What's your exposure to the local OEMs there? Your 18% of revenues coming from China, how much of that is through the local domestic Chinese OEMs?

Klaus Rosenfeld

It was around 30% -- or it's around 35% of the share of sales with local OEMs.

Dietmar Heinrich

And rather increasing than declining.

Tim Rokossa, Deutsche Bank

It's Tim from Deutsche. I would start with one that goes very much into Julian's question, because frankly, I think at these valuation levels, that is the only thing that really matters. So we can talk about 100 bps more margin here and there, China local investors, international mix. The key question really is, do you manage to turn around the trend that we are now seeing for multiple years? Where is the trust for your business? What is the sustainable case to make that we can make in front of investors why they should buy your stock at these levels? When we look at today, you abolished your targets, you provided a lot of details, which is, as always, very much appreciated and great. You talked for 1 hour. Your stock is down 9%. You are the weakest European supplier year-to-date. With all the changes that are going on, could you perhaps give us what you consider to be the key message today that you want us and your investors to take away from this call? And why is your stock really interesting at these levels?

Klaus Rosenfeld

Well, Tim, it's a very good question. To summarize what we said, the one key message is a little bit difficult. I'll try it in 2 or 3 messages. And the first one is, we have met the group targets for 2018 with a quite different picture in the 3 divisions we have. The second is, we are willing to share with you all the detail why mix went wrong. We're willing to share with you an action plan how we go forward. And that action plan is very much about being more selective in cost of capital allocation to foster future growth. Yes, the environment has been difficult and we need to regain some trust. The only way to regain the trust is to deliver now on the guidance that we have. The guidance is on purpose. The course is one from my point of view. For auto, it's the trust. And I think the only promise I can make is let's see how that gets back on track. The fourth quarter was definitely something that derailed our plans. And I can't hope for more than a hard-nosed execution on these kinds of things. With the new team that have come in place, they're not going to report -- review more, but that's the logic. And the valuation is your assessment. I think the stock is cheap. You're getting EUR 0.55 of dividends on it. But it's your decision. I mean, I cannot offer more than what I said before. It's all about execution.

Dietmar Heinrich

In this regard it is a bit bold I think it’s really as Klaus already mentioned earlier. Now with the new guidance for 2019 and EBIT of 8% to 9%, it's still a good level in compare for the peer group, free cash flow of our guidance around EUR 400 million. We showed you also with the details that actually the underlying trend is better and the excellent execution that we showed in regard to our CORE program on the industrial side, I think these are really matters that are highlighting why it's worth to invest into Schaeffler.

Tim Rokossa, Deutsche Bank

I completely agree with that, right? I think everyone appreciates that you are putting together this RACE plan and you provide as much detail as you actually do in terms of operating improvements going forward and everything. But the key message here is really, we look at these numbers and we see that your margin in Automotive has halved within only 3 years. And it doesn't really seem to be the case that this is bottoming out yet. It always goes deeper and deeper and deeper. And look, there is problems like for everyone else, right? China wasn't great. Europe was a problem. But that's the case for everyone else. I think as an external observer, one really asks himself, where is all this money going that you still make with the business. What's going on, on the pricing side? What is the key problem within Automotive? And leaving one quarter everything aside, Klaus, I completely agree with you, right? Judging with some 1 quarter or 2 quarters makes absolutely no sense. But when we look at it over 3 years, that trend is clearly not your friend. And do you manage to turn this around with the RACE program? Do you really believe that you will make close to 10% margin again by the early 2020s? Or do we just have to get used to the fact that like many other suppliers, you're going to make 6% to 7% EBIT margin providing hard parts, which I always understood is never really your own assessment of your business and your own ambition. But is that maybe something that in the new time now that we're in within auto is the new reality? Or do you still believe that you can come close to double-digit margins any time in the future again?

Klaus Rosenfeld

Look, I said on purpose that I'm not going to share any estimate on what the midterm targets 2020 will be. And if you look at the year 2018, you saw 2 quarters, 9.5% and 9.0%. And then you saw an environment that I wouldn't say collapsed, but was clearly characterized by strong inputs. I fully understand your frustration about the 4.4%. I'm also frustrated about the 4.4%. The only thing I can say is we have said for the year 2019, 6%. I don't want to miss this range. And we will build it from there. And you're right, I mean, it's certainly when you compare it to the last 3 years, it's not a story that is really convincing. But give us some credit for the environment we have, give us some credit for the -- all the things that came together here. And let's see -- wait and see what we get in Q1. One thing is clear, ladies and gentlemen, that I want to make sure one more time, we will manage this in the future quite differently. And you can also see that, yes, we have taken the necessary steps to change the management team. I'm not going to repeat all of it. But some of those gentlemen that have been there for a long time will not be there anymore in the future. And we'll be much stricter in terms of cost, capital and the way we run this business. That's the only promise I can make. We have achieved something like this in industrial. It doesn't mean that we can just copy the measures for auto. But I'm fully committed to pull this off and get it in the right direction. Whatever the target for 2020x will be that we may discuss in 2020 with you, let's get through the year 2019. It has a lot of headwinds. And let's see that we manage through that and build the trough as we just expected.

Tim Rokossa, Deutsche Bank

So my personal opinion is you have all the right ingredients, right? You have a great management team. You have fantastic guys within the company. You have fantastic products. It's just frustrating to watch that you don't seem to get the turnaround when it comes to financial numbers and operating performance. But when we go a little bit into a growth area more and think about order intake in E-Mobility, and that is the final question from me. You always give us that number in the past. And now you're giving a target of E-Mobility and Chassis mechatronics. Can you give us your order intake last year maybe for E-Mobility? And also, if this E-Mobility and

Chassis mechatronics a bit of a dilution to your existing expectations? Or is Chassis mechatronics so small that you're still targeting more than 15% of your Automotive OE sales to be E-Mobility related?

Klaus Rosenfeld
Matthias, do you want to answer that question? Well, I think we could -- I'll handle the question. Chassis mechatronics is a new area. It comes from the Paravan acquisition. And we added it here, because it's one of the things. We don't want to dilute something. We're still 100% committed on these targets that we gave you on E-Mobility. E-Mobility some, as we said, it's a RACE as well where -- and Matthias can shed some light to this, but don't see it as something that is now being put to question as well. We are 100% committed on the E-Mobility side. But parts of the EUR 1.5 billion to EUR 2 billion will come from the Chassis mechatronic as a growth area.

Matthias Zink
Tim, I guess, it's not about dilution. It's about stimulating our result for motivating as well to the Chassis mechatronic, because this goes in hand with the Paravan acquisition. Just to give you a number, this is about a 10% or a EUR 200 million bucket versus EUR 1.3 billion, EUR 1.8 billion on the E-Mobility side if we talk about this EUR 1.5 billion to EUR 2 billion. So it's a minor for us. It's 10% as of now. But we said as well, we want to commit ourselves to this new business field. If we talk mechatronics, we have to deliver mechatronics. This is why we took that into the order book. It's not about dilution here. And I can't recall actually the numbers from 2018. I would have to check those, but those have been good in 2018 as well for E-Mobility, but as well for this whole business field of E-Mobility, to be honest, not for the pure one. You know that we have as well some hybrid and automatic transmission stuff in there, but the order book '18 was good on that side.

Dietmar Heinrich
Maybe to add, Tim, the increase in sales already in 2018, it's really remarkable. It's 20%. And we are also looking forward that this will be one of the driving units for growth in 2020.

Klaus Rosenfeld
And let me maybe come back on the equity story. We definitely have to rethink that equity story and come back with a proposal. Now don't get me wrong. I'm not -- I don't want to be defensive here, but that's not the right moment in time to develop a new equity story. And therefore, again, don't get this too defensive. We

have seen a quite difficult situation. The focus is at the moment on margin and on free cash flow. It's on execution. And yes, we will come back as soon as the dust has settled on all of this with something that gives you maybe a little bit more comfort that going forward, a company that still makes the margin of 9.7%, that is cash-generative, that can pay a decent dividend should not be valued at this level.

Tim Rokossa, Deutsche Bank

Yes. I think absolutely, if you were in the middle of a big change of a process, you're just kicking off RACE, there's a lot of uncertainty when it comes to market developments globally. Maybe this is not the right time, but probably very soon when we look at the stock price development, I think you should try to at least develop a vision where you want to stand in 2, 3, 4, 5 years from now also in terms of hard targets.

Klaus Rosenfeld

The message has been received. We focus -- and I think that's the right focus, from the end of last year on putting the right measures to -- for our RACE together. And that's my priority to get this done. Matthias is fully committed on this. The team is fully committed. We clean up certain other positions. And yes, we will execute on these measures properly.

Kai Alexander Mueller, BofA

The first one is coming back on your CapEx and M&A. I'm just trying to understand a little bit if the -- when you think about your acquisitions, you obviously have some amount out of your free cash flow calculation, aren't they really (inaudible) is CapEx (inaudible) is the first question?

Klaus Rosenfeld

Kai, you're not -- we can't hear you. It's very blurred. Can you say it again, please?

Kai Alexander Mueller, BofA

Sorry. The first one was basically -- you're basically adjusting your M&A out of your free cash flow. Do you really need M&A in order to transform the interest. How much have you earmarked for your future transformation going forward?

Klaus Rosenfeld
Now look, I can only repeat what I said before. We have clearly said we will focus on smaller additive acquisitions, EUR 100 million to EUR 500 million. And we've always said, if there is money left that we can use to finance these acquisitions, we will do so. If we need cash, we will then draw some of the lines that are still open. So I don't see any constraint here. Again, we want to make sure that the leverage ratio doesn't get too much in the wrong direction, but there is no number I can give you at the moment on that.

Kai Alexander Mueller, BofA
Okay. And when you come back to the question earlier about your orders, you obviously said you want to grow your orders in the E-Mobility space, but have said before that you left quite a few orders on the table, because it didn't fit your margin and CapEx profile. How do you think that will change, though, going forward? Why do you think you should be now able to achieve this EUR 1.5 billion every year?

Klaus Rosenfeld
Matthias, do you want to address that one?

Matthias Zink
Yes. Well, it goes in line with what we discussed before, for instance, with the Elmotec deal, if we see more in detail the cost structure of e-motor, if we are more aware about the cost structure of saving sheet-metal for e-motor, so we learn day-by-day, as I said. I have to admit, we have been a bit late on the E-Mobility case in the past. But right now, we're closing that gap. We know way more than in the past. Our offers to the OEMs, we make it in the final round meanwhile, and that we didn't do those 3 years ago. So we think we know about more of the cost structure than we guided. We are more attractive to those RFQs there. And again, we apply a value-add access, and it always was one of the assets in Schaeffler.

Dietmar Heinrich
And maybe, Kai, also from my side, we also realized that with addition of people -- if you have people in that area, we have much more insight into -- regards costs. Also going forward, we have a much better of understanding now of how to enter in this. So moving forward, we have a much bigger opportunity then also to influence the cost in the proper way and to achieve the profitability that we expect.

Harald Eggeling, Oddo
Some questions, please. First one is on your CapEx guidance range. So first of all, how is this a function of growth, especially in terms of region and business units? Then in this context, you also mentioned there is improvement potential in CapEx. Where do you see it? So how -- where does it come from? Second one is, I think you mentioned that there could be something -- improvement program in for Aftermarket. Here the question would be, why do you wait and see? I mean, the guidance goes for a clear margin decline. Third one, how is the hard Brexit reflected in your guidance? And fourth one would be an indication for the tax rate in 2019, please.

Klaus Rosenfeld
Okay. Thank you very much for those questions. I think Dietmar takes the first one and the last one and I take the 2 ones in the middle. And we have assumed a stable environment. We have not assumed a big recession, but we have also not assumed anything that derails the whole situation. So if Brexit becomes a world crisis, then that is not part of our guidance. Or if Italy goes down the drain, that's not part of our guidance. It can't be. On the Aftermarket, once again, let's be very clear. We have seen in October, November and December a big issue with the Automotive OEM, with all the downturn in China, we have already discussed before. Now if you run a company like this with 92,000 people and you work on such a program, it's is not just a weekend where you then say, let's put in some measures, and that's it. You have to discuss this. You have to calculate the impact. It takes time. And therefore, it was not possible and also not necessary on the Automotive Aftermarket to put in another product. We have focused on the thing that was the most -- of the biggest concern, and that was Automotive OEM. There is a proper product together, 3 ways, 6 key levers, a full committed team that is going to do this, 5 European locations that are up for debate. So that's what we did. I just said in this call, if we see that more needs to happen on Aftermarket as well, we will consider that as well. That's the only thing I could say, but I cannot do everything at the same time. I know that we need to be proactive, and we will be proactive, but step after step. It doesn't -- you cannot solve all the issues in one go. Dietmar?

Dietmar Heinrich
Yes. So at this point, then you mentioned in regard to a growth function. Yes, there is a growth function, of course, behind, but we also see a change in the solutions that we are actually providing. So there is less value add. And accordingly, the need for CapEx will be changing. It's what Matthias mentioned when he also explained the target than the return of capital employed should remain there even with the

different value adds and in the range that we expect. Secondly, we are revisiting the way of how we are building machinery, how we are using machinery. We are looking into production strategy, what is production that we should do in-house and what is production actually a supplier can do on our behalf. We are also looking into improving the utilization of the machinery. And then how can we use machines that are not needed in the original place anymore, then also for future demand. And we are also looking then to improve the efficiency of the machinery. So that's actually ways how we are influencing. Then the CapEx spending, in the future, another topic that I'd like to raise, also realized that for certain products, the life cycles are getting shorter and we are adjusting the new machinery also to only meet the shorter life cycle time.
And regarding the tax rate, we had last year tax rate of 25%. We are basically expecting to stay in a range 25% plus something, so it's 25%.

Harald Eggeling, Oddo
Okay. One follow-up, please, on the CapEx. Is there anything with regard to time horizon do we imagine for the 6% to 8% range?

Dietmar Heinrich
You can see that already reduced the ratio from last year to this year, we expect in 2019 to get closer to the range of 8% and then to get more solid into the range of 6% to 8%.

Brian Studioso, CreditSights
The first question is I just wanted to ask if you could put a little bit of a number on order of magnitude to the level of undercapacity utilization, either in the 5 plants specifically that you're looking at consolidating or across the board? And just how that relates to the -- in the 5 that you're considering?

Dietmar Heinrich
Well, I said, in regard to the 5 plants that we mentioned, it's not a matter of machinery utilization actually. We are looking into the life cycle of the product, and we are looking what is providing positive perspective to us for the future and also what is better aligned with our own competencies and what is not so well aligned. So we see that maybe somebody else can do more with this. So that's the underlying topic.

Brian Studioso, CreditSights
Okay. Well then, I guess, generally, is there anything you could comment in terms of capacity utilization across your remaining production facilities across Europe, given the weakness in demand?

Dietmar Heinrich
We see what's the drop in the demand, but we also expect recovery at a certain point in time then. So maybe there are some structural changes. Klaus mentioned, for example, like the manual shifter that the demand on that side is becoming less. Of course, we are looking into to what extent and how we can use this machinery in the future then possibly for different purpose or as indicated, somebody else who would like to use this in a different way.

Brian Studioso, CreditSights
All right. And on a different topic then just on China. I understand there's a lot of mix, but there is some pricing pressure. Any insight into where the pricing pressure is more acute, local OEMs or the foreign JVs?

Matthias Zink
Well, I would say it's pretty similar all over the place. It's maybe a little bit more even on the local OEM side, yes, because I would say those guys are not used to a declining market. And there are, as we all know, a certain overcapacities on the OEM side. So if you ask me here, I would say slightly more on the local side than on the global, but one learns from the other, so not too much difference.

Matthew Cottingham, Stone Harbor
One, first one is just really a follow-up. Can you just provide a bit more detail about the underlying market assumptions you've got in your guidance? You said that you're taking a rather cautious approach. But can you just talk a bit about exactly what sort of assumptions you're making there, please?

Klaus Rosenfeld
Okay. The key assumption is the one on Automotive OEM. And we have said and you see it on page -- at the back of presentation when we talk about the guidance, I said Automotive decrease of global passenger car production of minus 1%. There are others that say it's 0.4% plus. We are more conservative. And the breakdown of this is: Europe probably slightly negative, 0.5%; America is flat; Greater China, minus 2%; and Asia/Pacific also somewhere around 0.5%, 0.3%. So that's the

market assumption. We think that on top of that, we can continue with some outperformance. And on the industrial side and in the auto Aftermarket side, we think that the market, as described in -- on Page 32, there will be a climb also in the global vehicle population and there will be slower growth in industrial production in 2019 than in '18.

Matthew Cottingham, Stone Harbor
Okay. And on the Aftermarket side, the assumption there's a decline in the global population, what's the basis behind that? Kind of what sort of…

Klaus Rosenfeld
Don't forget, some of the cars get scrapped. And it's always a function of how much additional cars get on the road and what happens to the rest. So we want to be conservative there as well.

Matthew Cottingham, Stone Harbor
Okay. And then my final question is slightly different tack. You spoke a bit about your intention to defend the IG rating at the OpCo level. Can you talk a little bit about just, I guess, or comment on the debt level and the leverage you have through the IHO and thoughts around how you manage that, please?

Klaus Rosenfeld
If I understand correctly, the question was on how we manage the IHO debt, or is it more the question how the IHO debt relates to the OpCo debt?

Matthew Cottingham, Stone Harbor
No. Just how you view the level of debt at that level and what your intention is with managing or reducing or just strategy around that.

Klaus Rosenfeld
On the IHO level?

Matthew Cottingham, Stone Harbor
Yes, please.

Klaus Rosenfeld
Okay. On the IHO, we have long dated bonds. The debt is nothing substantial that comes due. And we have a significant cash balance there. We get the dividends both from Conti and Schaeffler this year. And we are intending to pay off some of

the debts out of the cash balance, then going forward, also think about a potential refinancing. But that is something that is not a priority at the moment. We'll look at this when the plans in terms of the investment-grade refinancing have been executed.

Operator
Thank you very much. As there are no further questions, I would hand back to you, Ms. Casaro.

Renata Casaro
Thank you very much, operator. Thank you very much, dear investors and analysts, today for this long call. As usual, you will have the transcript included in the slides in a document called Commented Slides, which will be uploaded later this week that you can also then peruse. We are looking forward to having you our next earnings call on May 8. And until then, we would be on the road. Tomorrow, we'll be in London with Klaus and Matthias meeting some of you. Thank you very much, and goodbye.