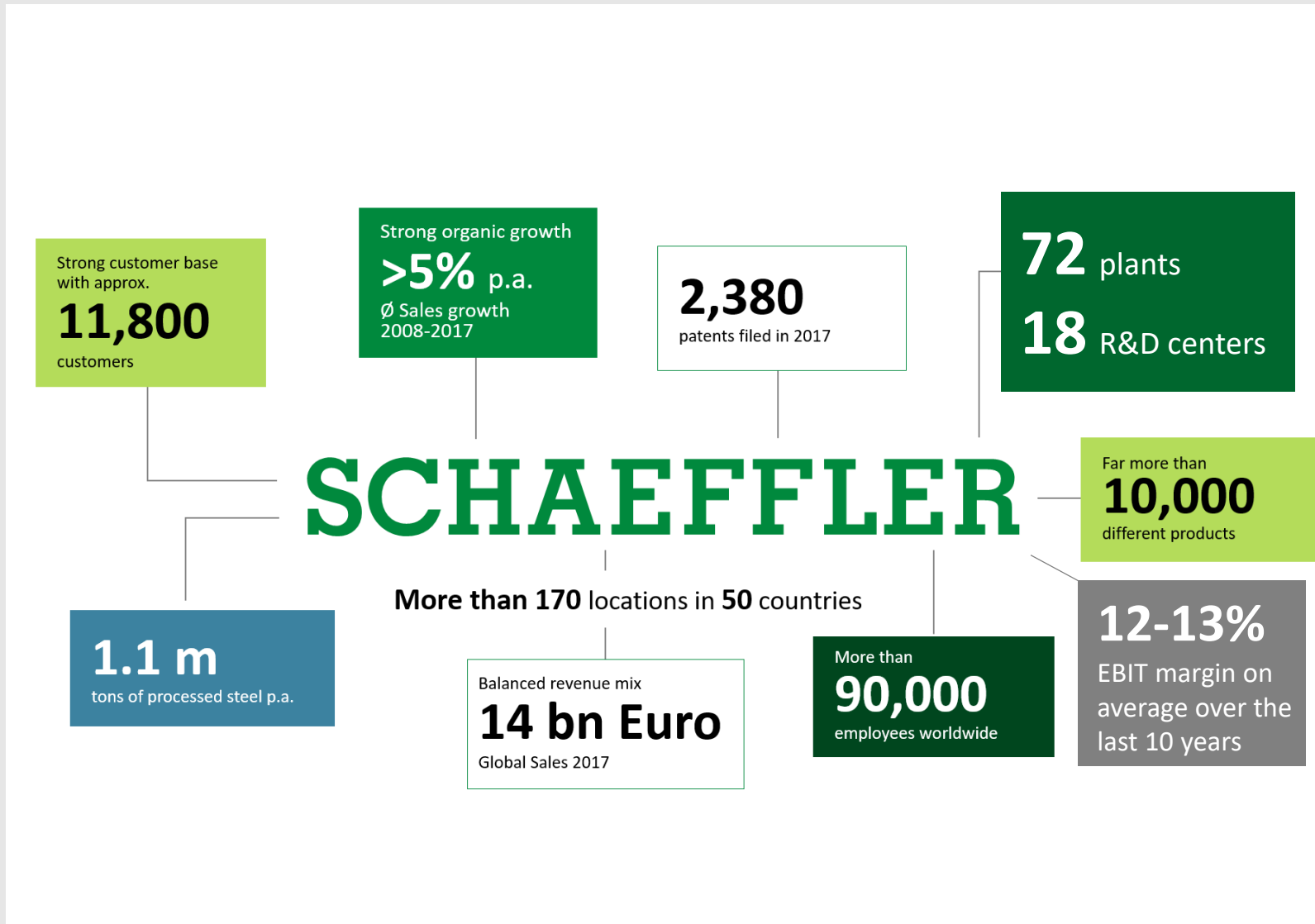




Executing our strategy
Schaeffler AG
Global Auto Industry Conference

January 15, 2018
Detroit

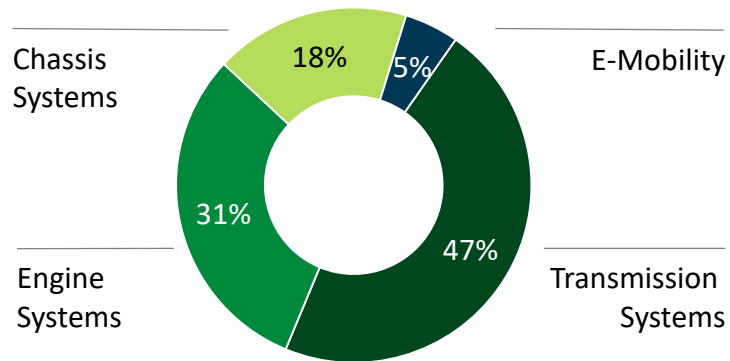
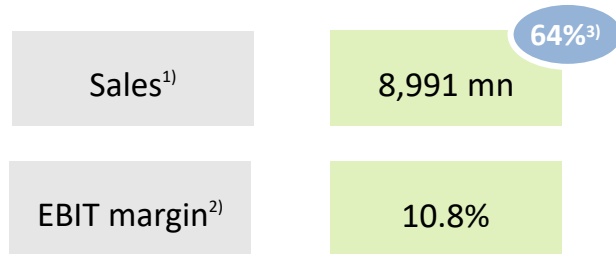
- 1** Schaeffler at a glance – 9M 2018 results and current market environment
- 2** Strategy “Mobility for tomorrow”
- 3** Excellence Program “Agenda 4 plus One”
- 4** Deep-dive E-mobility
- 5** Long-term value creation
- 6** Summary and outlook



- ▶ Global Automotive and Industrial supplier of high-precision components and mechatronic systems
- ▶ Quality, technology and innovation as key success factors
- ▶ Well defined strategy 'Mobility for Tomorrow'
- ▶ Above average growth and profitability with global sales of EUR 14 bn in 2017
- ▶ Well balanced customer base
- ▶ Global footprint with 72 plants and 18 R&D centers

Schaeffler Group – Diversified business portfolio with three divisions

Automotive OEM



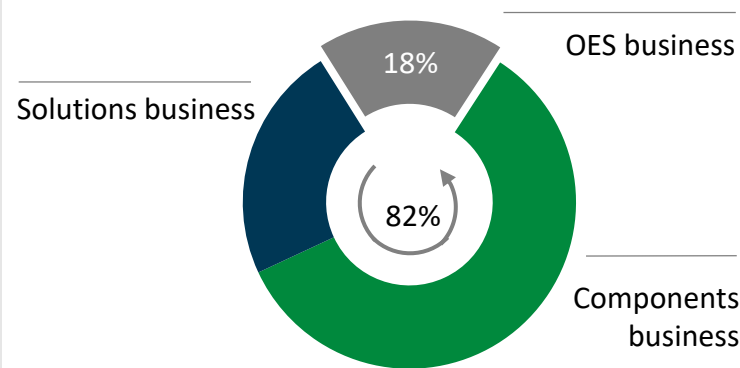
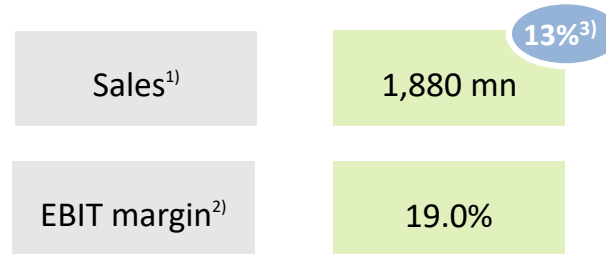
Based on 2017 Sales

1) FX adjusted Sales FY 2017

2) Based on EBIT Before special items FY 2017

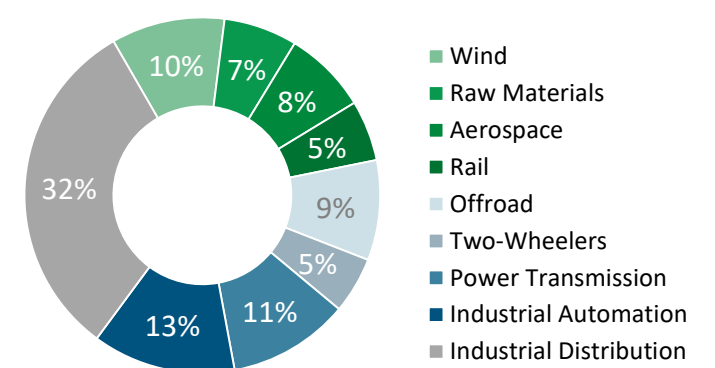
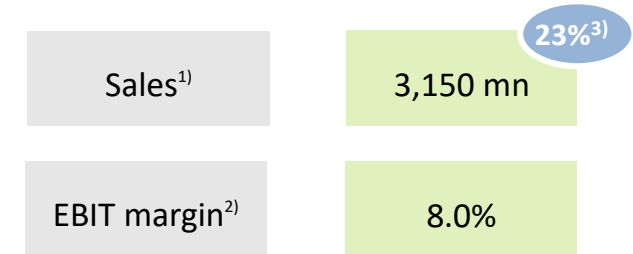
3) in % of Group Sales 2017

Automotive Aftermarket



Based on 2017 Sales

Industrial



Based on 2017 Sales

Growth



Lower GDP-growth expected from 2019 onwards



Trade



Trade war between USA and China a serious threat



China



Slow down of economic growth in China

Macro-economic risks

External conditions became much more complex – Temporary „dip“ or downturn?

Industry-specific developments

Automotive



OEMs suffer from the new WLTP-cycle



Industrial



Slow down of industrial production expected from 2019 onwards



Capital Markets



Several guidance revisions in the automotive sector

Group	Q3 18	9M 18
Sales growth¹⁾ (in EUR mn and %)	3,521 +3.7%	10,714 +5.1%
EBIT margin²⁾ (in EUR mn and %)	355 10.1%	1,150 10.7%
Free Cash Flow³⁾ (in EUR mn)	201	127

Capex-to-sales ratio

7.4%

8.0%

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

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

Key aspects Q3 2018

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

Group Guidance

	Group
Sales growth¹⁾ (in %)	+4-5%
EBIT margin²⁾ (in %)	9.5-10.5%
Free Cash Flow³⁾ (in EUR mn)	EUR ~300 mn

Divisional Guidance

	Automotive OEM	Automotive AM	Industrial
Sales growth¹⁾ (in %)	+3.5-4.5%	+1.5-2.5%	+8-9%
EBIT margin²⁾ (in %)	8-8.5%	17-17.5%	10.5-11.0%

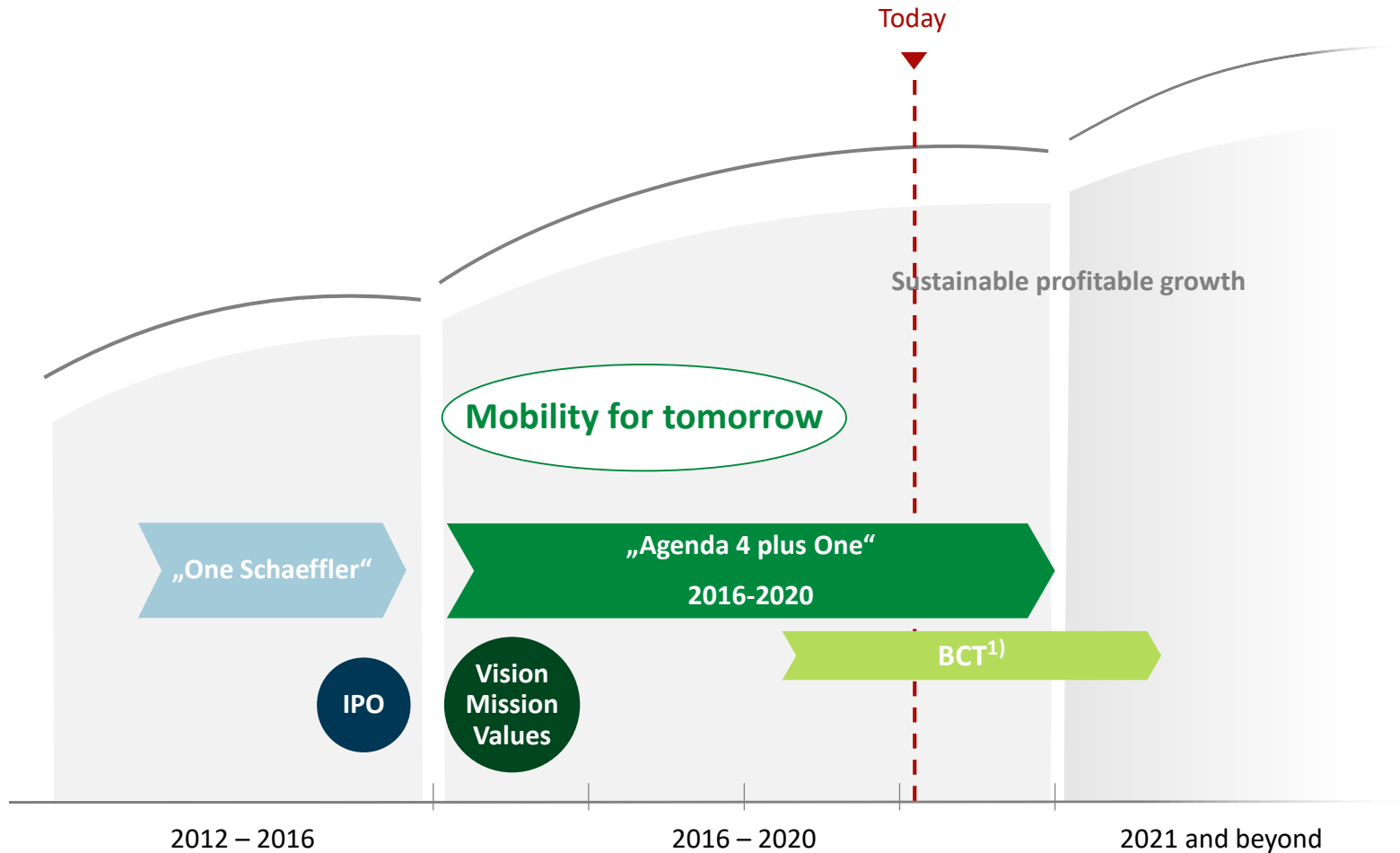
Market assumptions⁴⁾

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

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

4) As of October 30, 2018

Roadmap Schaeffler Group



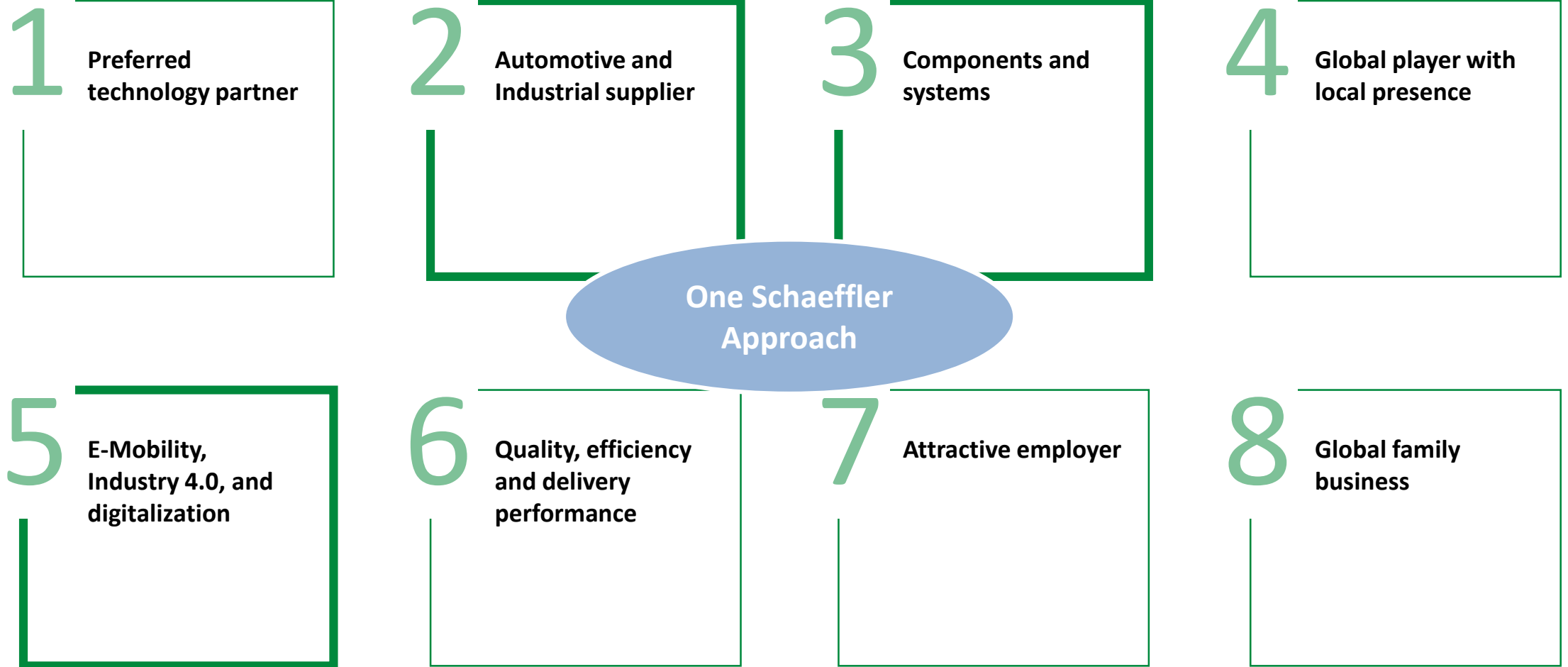
Key aspects

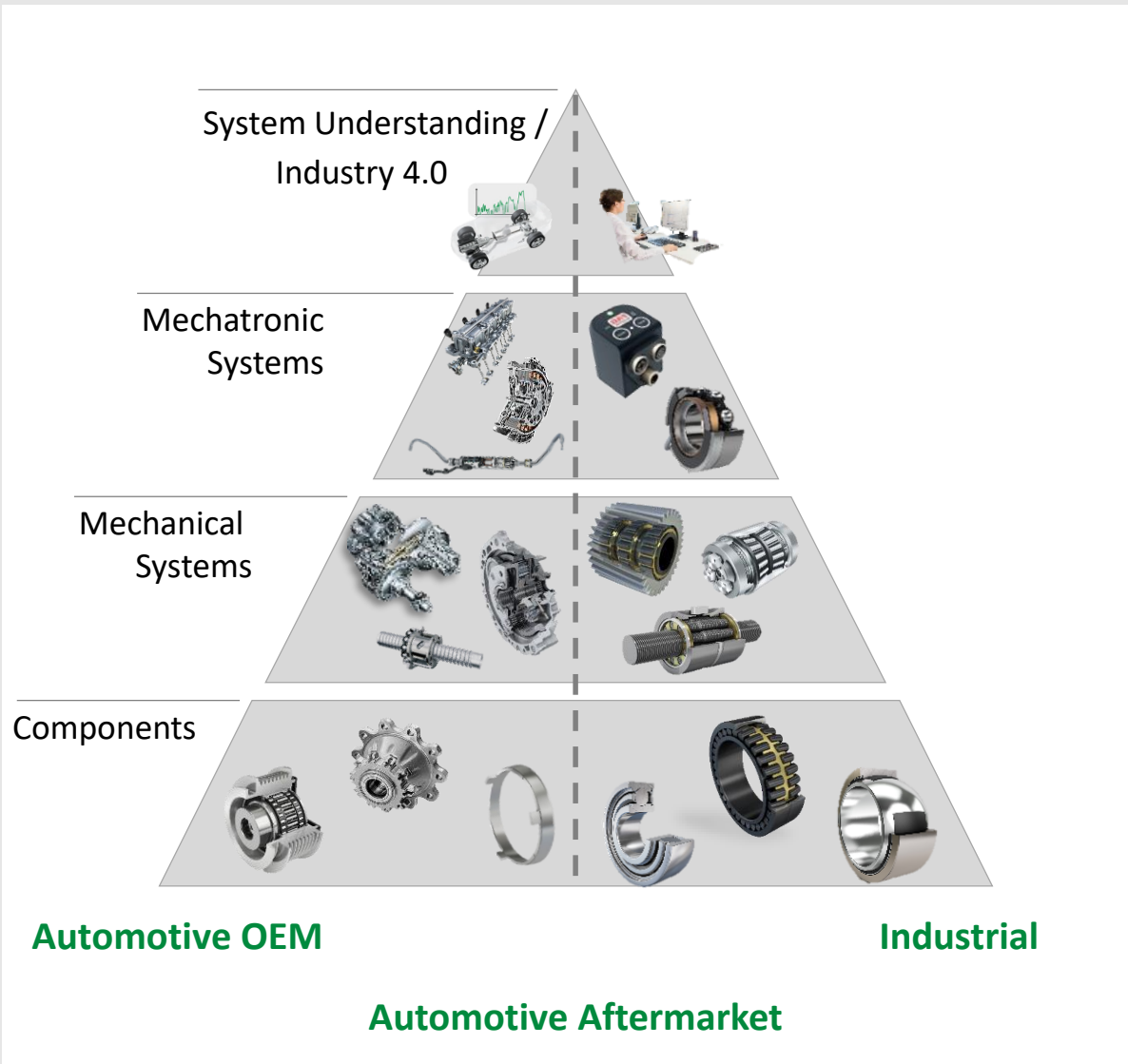
- ▶ Strategy „Mobility for tomorrow“ to position Schaeffler for key future trends
- ▶ Excellence program "Agenda 4 plus One" to make Schaeffler a better company
- ▶ 3 divisions to enhance transparency and accountability
- ▶ Rigorous execution of efficiency initiatives to achieve financial ambitions



1) Bearing & Components Technologies

Strategy "Mobility for tomorrow" – 8 strategic pillars



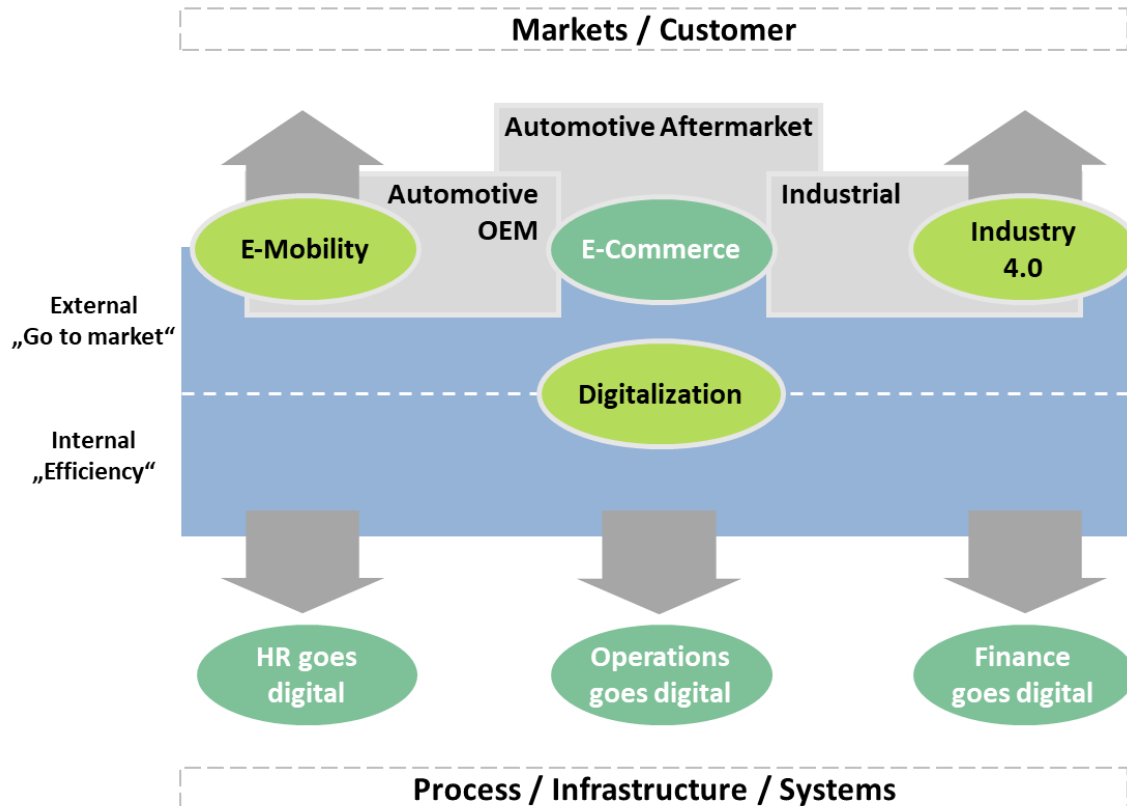


Key aspects

- ▶ Long-standing experience in development and manufacturing of best-in-class mechanical components
- ▶ Proven system-level understanding enabling integration of components into powerful mechatronic systems
- ▶ Ability to combine systems know-how across all three divisions into new innovative product and service offerings

Systems understanding as a key success driver

Business logic



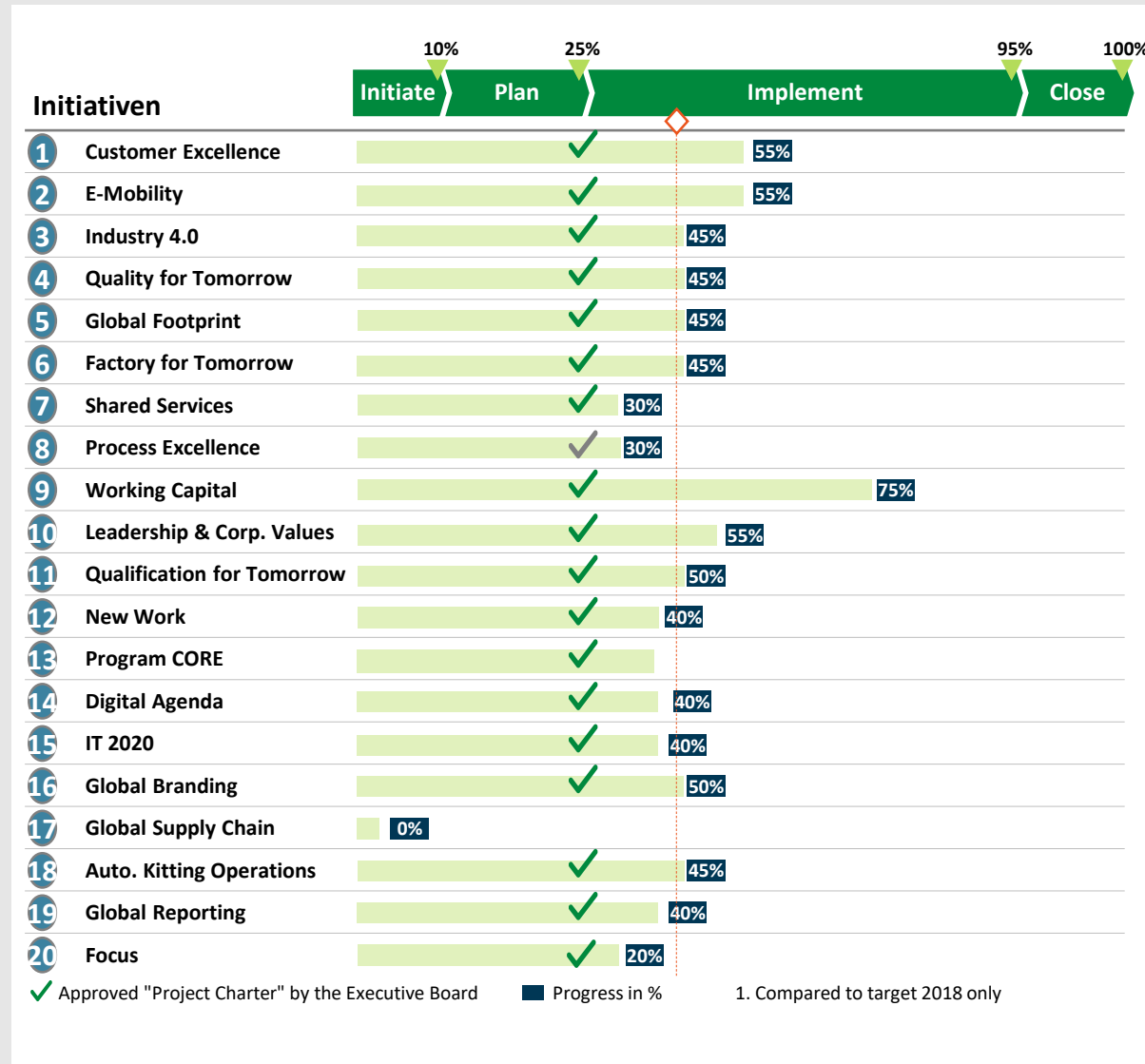
Key aspects

- ▶ E-Mobility, Industry 4.0 and Digitalization as key growth opportunities for the long-term future
- ▶ E-Mobility, Industry 4.0 and Digitalization are three key initiatives of our Agenda 4 plus One
- ▶ Digitalization relevant for external "Go to market", but in particular for optimizing our internal efficiency



**Excellence Program
„Agenda 4 plus One“**

Excellence program "Agenda 4 Plus One" – Making Schaeffler a better company

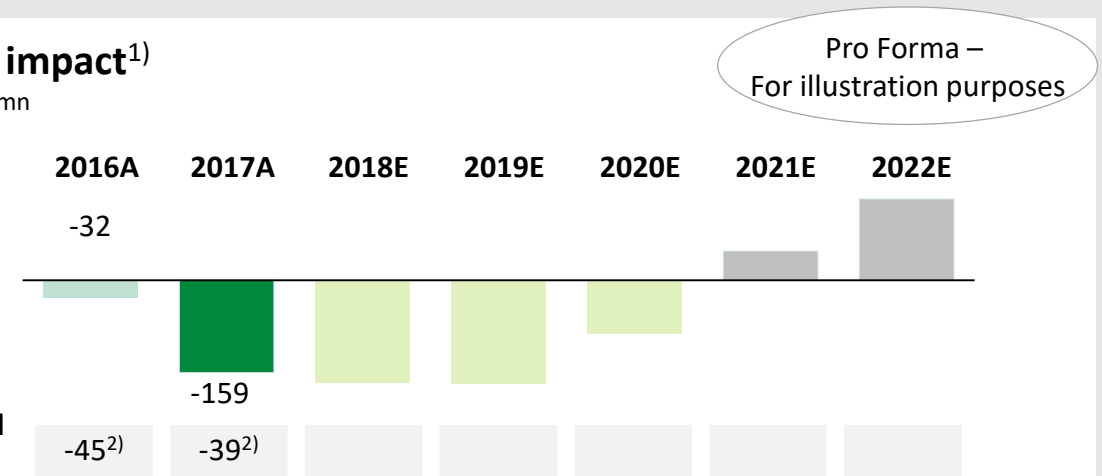


Key aspects

- ▶ Comprehensive program with 20 initiatives started in Q2 2016
- ▶ All initiatives in implementation, overall Completion ratio of 50% as of September 2018
- ▶ EUR 300 mn profitability improvement target until 2022 (improvement compared to FY 2017)

EBIT impact¹⁾

in EUR mn



Special items

in EUR mn

1) Before special items

2) Provision for CORE II of EUR 45m in 2016, provision for Shared Services provision of EUR 39m in 2017

Overview as discussed at September 2018 CMD

	Start Date	Cost Efficiency Target	HCO ¹⁾ Reduction Target	Restructuring Cost	Full Financial Impact	Focus	Completion Ratio	
1	CORE I	10/2015	~ EUR 40 mn	-500	EUR 36 mn booked in 2015	12/2018	Industrial	100%
2	CORE II	10/2016	~ EUR 80 mn	-400	EUR 45 mn booked in 2016	12/2019	Industrial	>50%
3	Shared Services	10/2017	~ EUR 25 mn	-100	EUR 39 mn booked in 2017	12/2022	Group	35%
4	BCT ²⁾	5/2018	~ EUR 60 mn	-1,000	EUR [50] mn ³⁾	12/2021	Auto OEM/ Industrial	5%
			FCF Improvement Target					
5	Working Capital ⁴⁾	4/2016	~ EUR 350 mn	-	-	12/2020	Group	75%
6	Supply Chain ⁵⁾	8/2018	to come	-	-	12/2021	Group	0%

1) HCO = Headcount

3) Best estimate for 2018

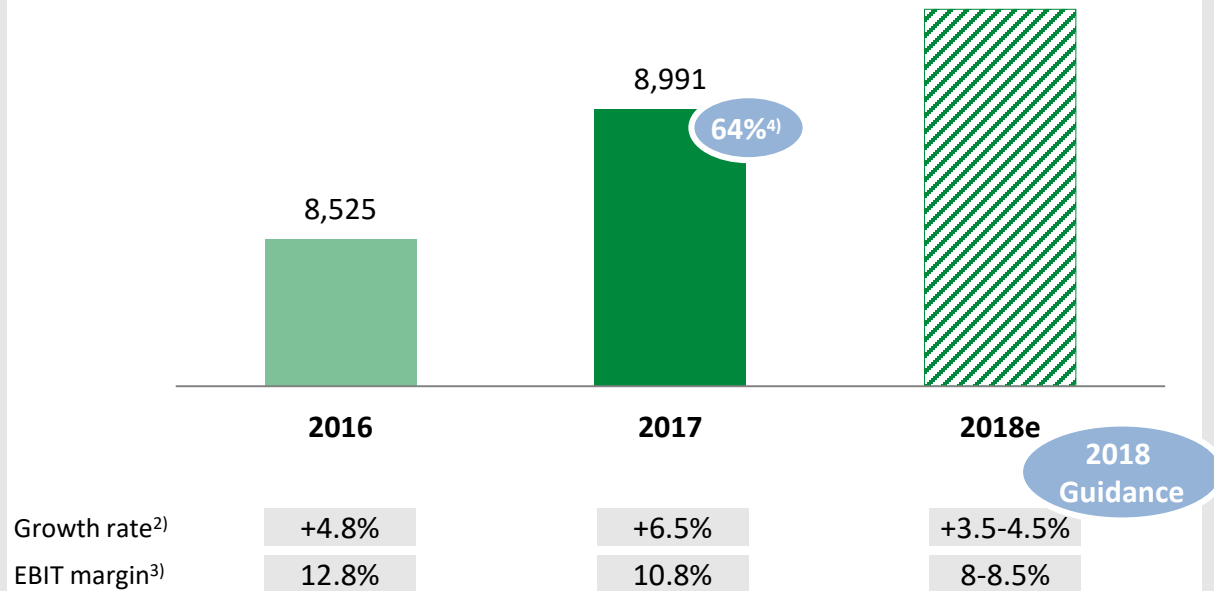
2) On-top initiatives outside of Agenda 4 plus One

4) Focused on Trade Payables and Receivables

5) Focused on delivery performance and inventories

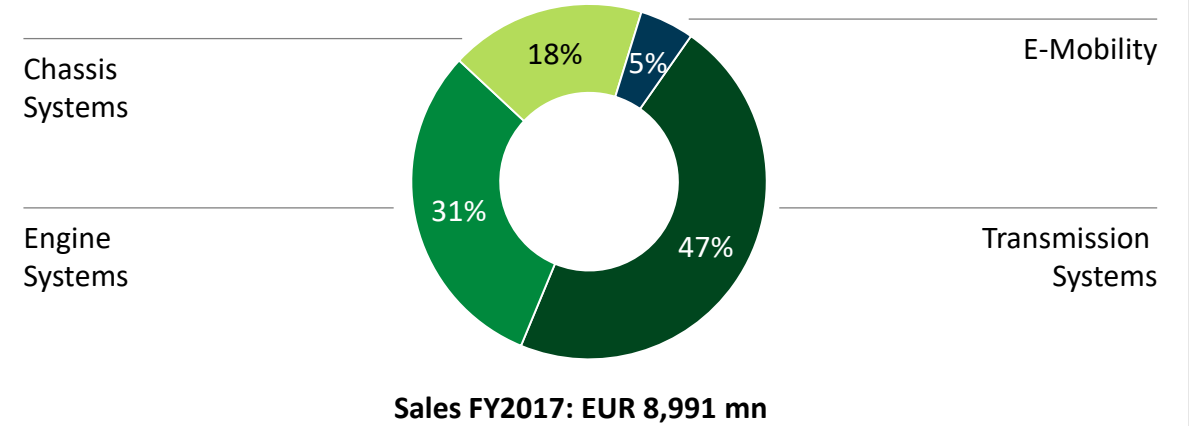
Sales and EBIT margin¹⁾

in EUR mn



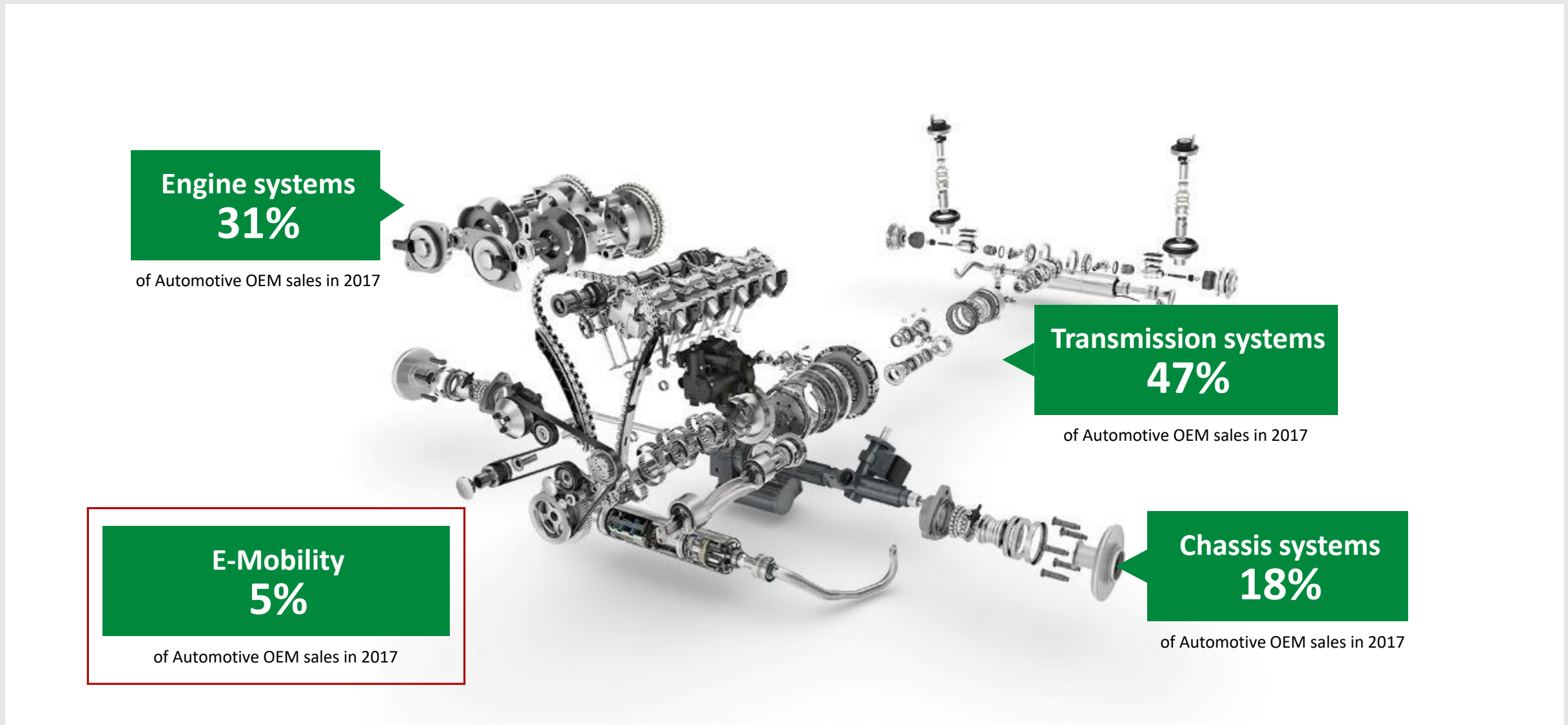
1 FY 2017
 2) FX-adjusted
 3) Before special items
 4) In % of Group Sales 2017

Sales by business division¹⁾



Sales split by customer mix





Engine systems
31%

of Automotive OEM sales in 2017

Transmission systems
47%

of Automotive OEM sales in 2017

E-Mobility
5%

of Automotive OEM sales in 2017

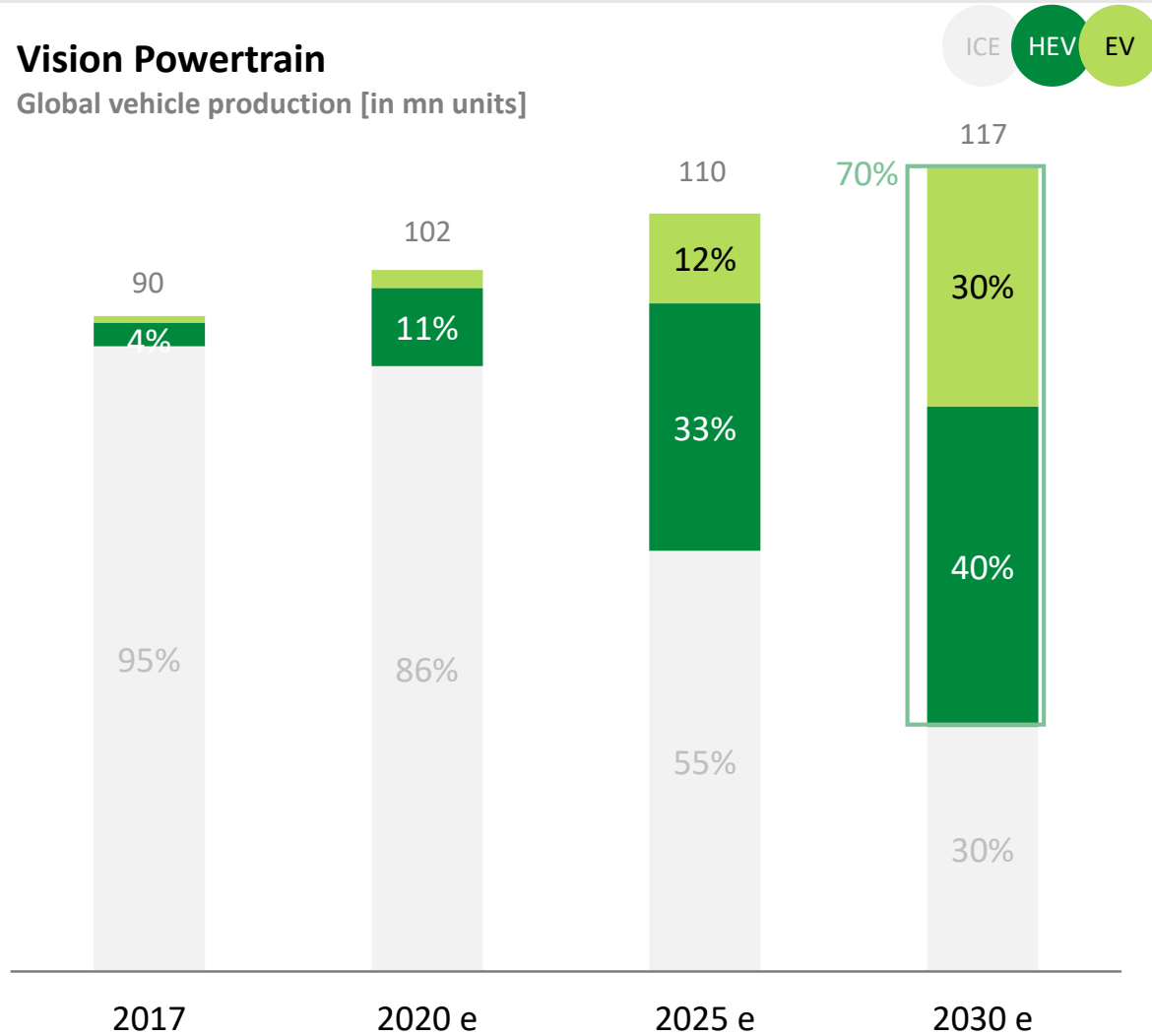
Chassis systems
18%

of Automotive OEM sales in 2017

Mobility for Tomorrow – Our E-mobility Strategy

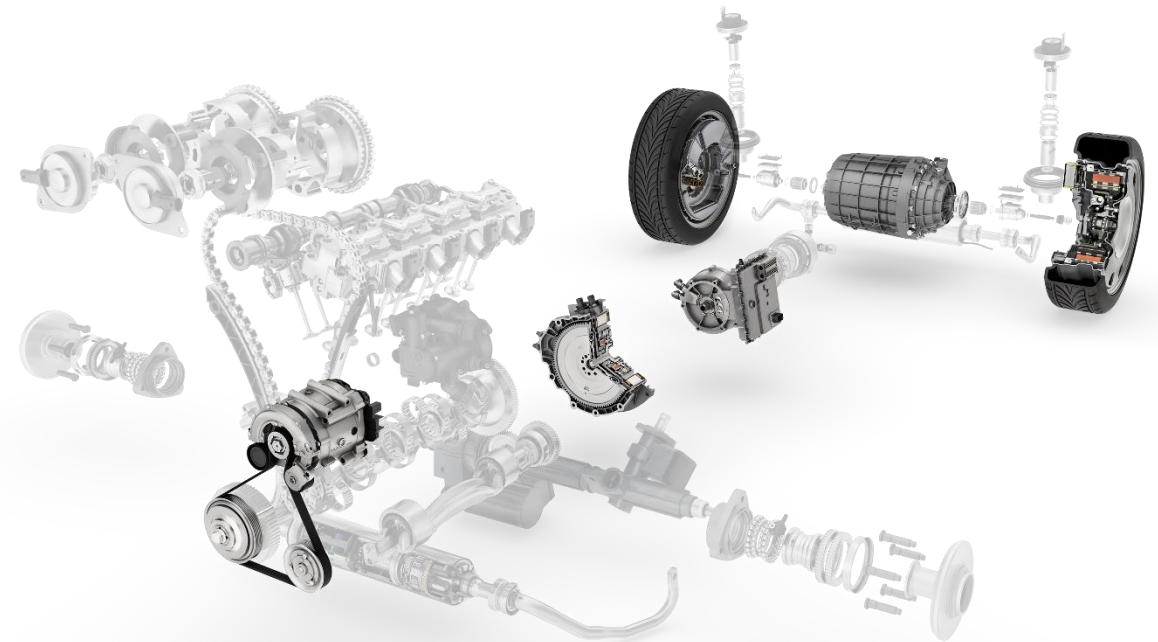
Vision Powertrain

Global vehicle production [in mn units]



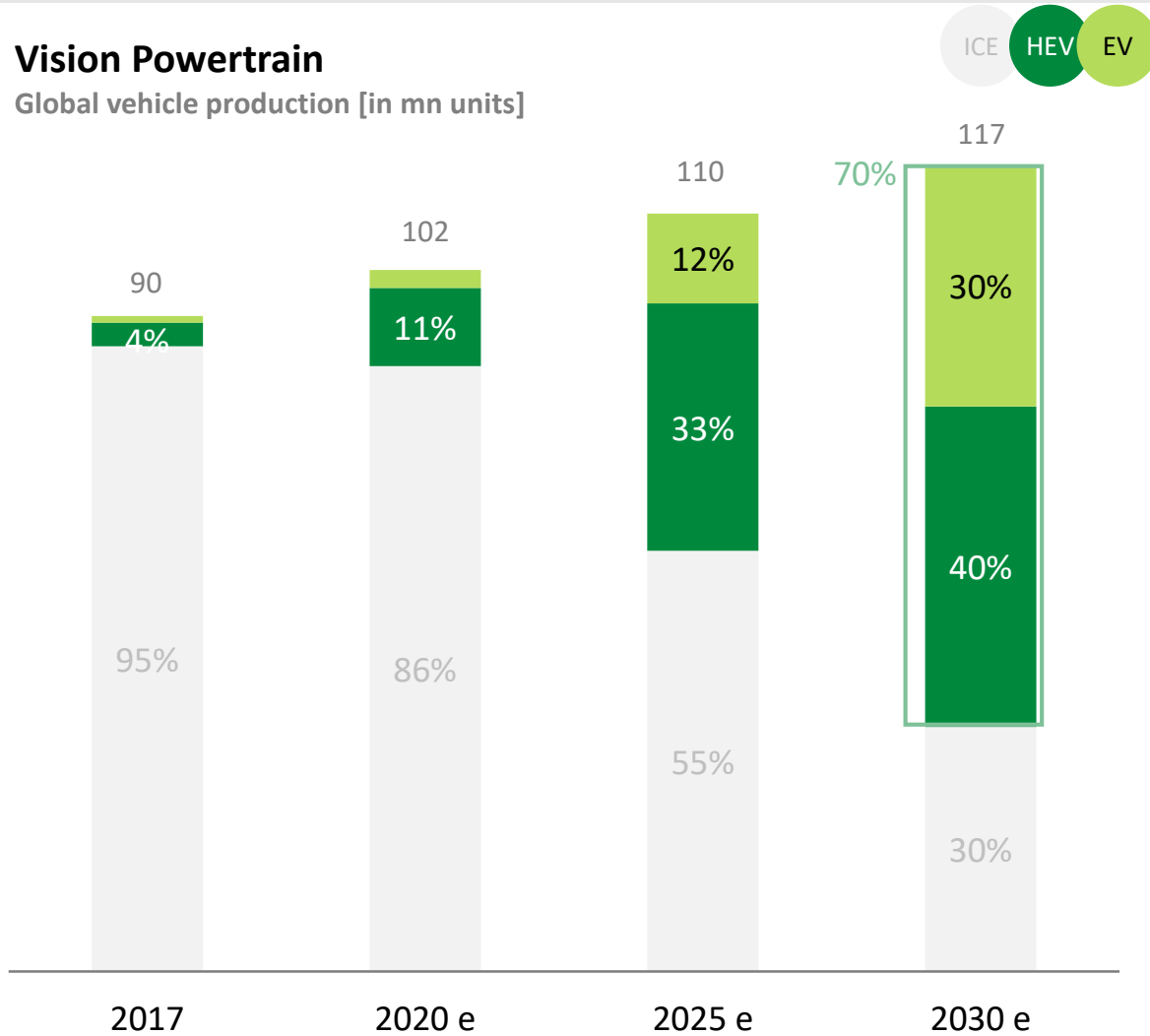
Source: IHS and Schaeffler Assumptions / Values based on Light Vehicles < 6 tons only, ICE = Internal Combustion Engine; HEV = Hybrid Electric Vehicles ranging from 48V Mild Hybrid to PHEV, BEV = Battery Electric Vehicles (incl. Fuel Cell Electric Vehicles)

Electrified Drivetrain Portfolio



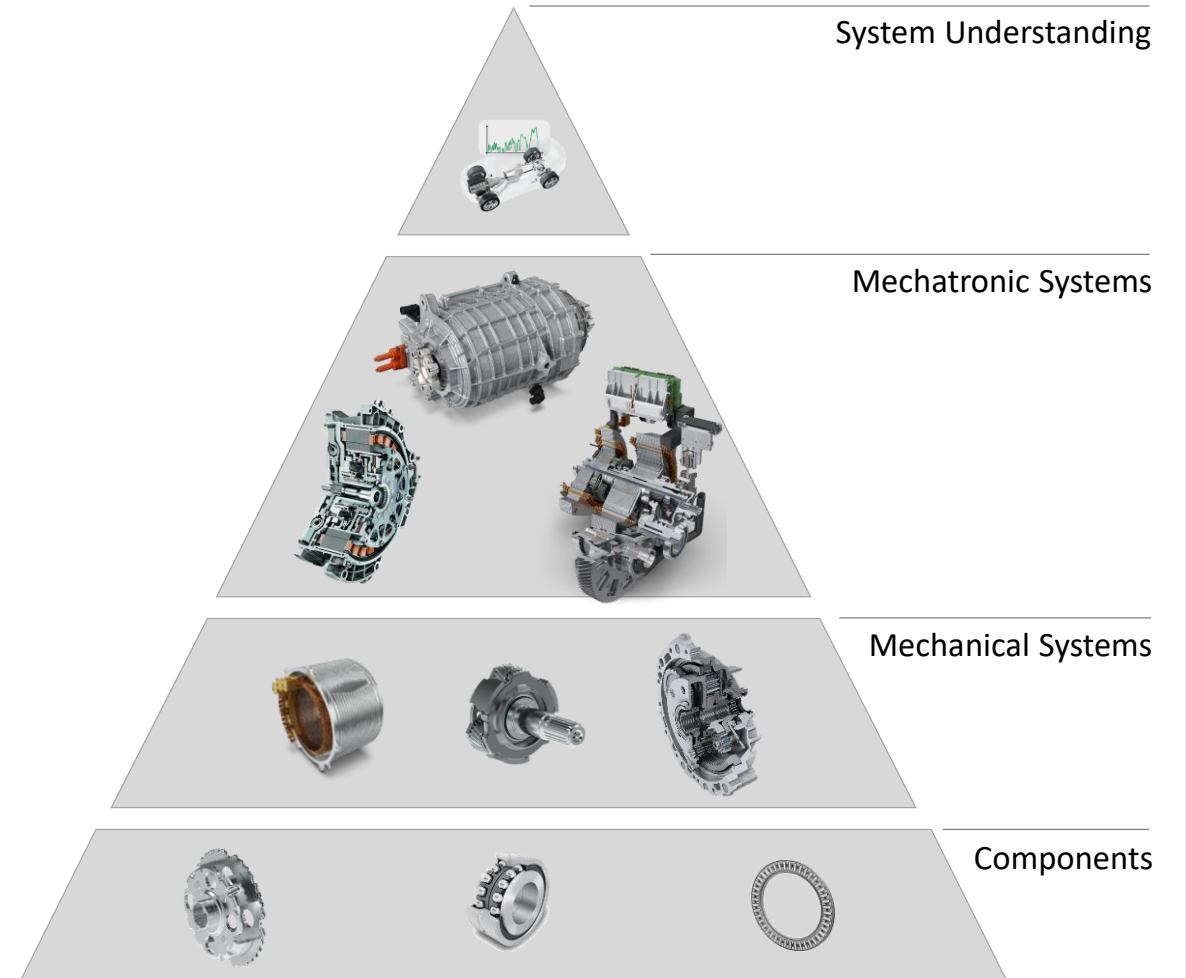
Vision Powertrain

Global vehicle production [in mn units]



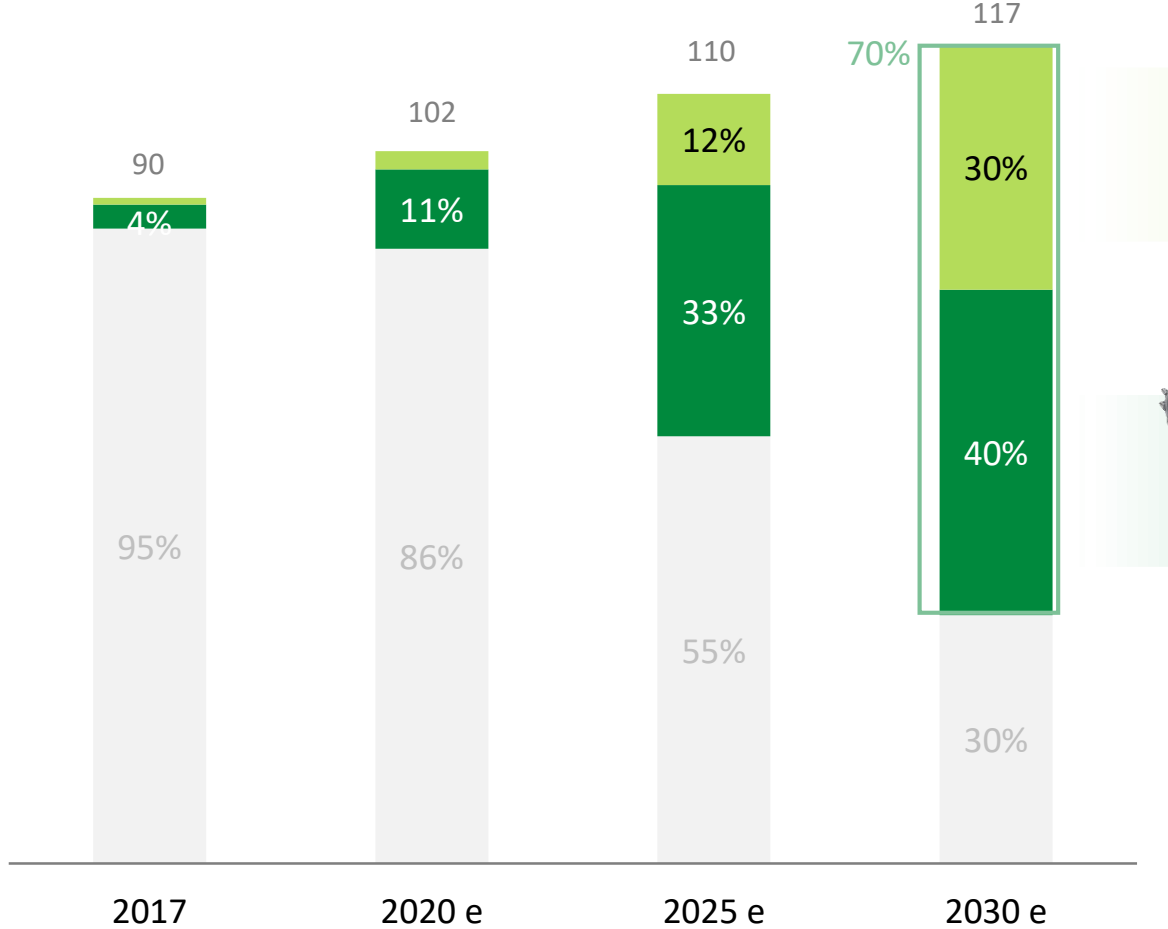
Source: IHS and Schaeffler Assumptions / Values based on Light Vehicles < 6 tons only, ICE = Internal Combustion Engine; HEV = Hybrid Electric Vehicles ranging from 48V Mild Hybrid to PHEV, BEV = Battery Electric Vehicles (incl. Fuel Cell Electric Vehicles)

E-mobility Pyramid



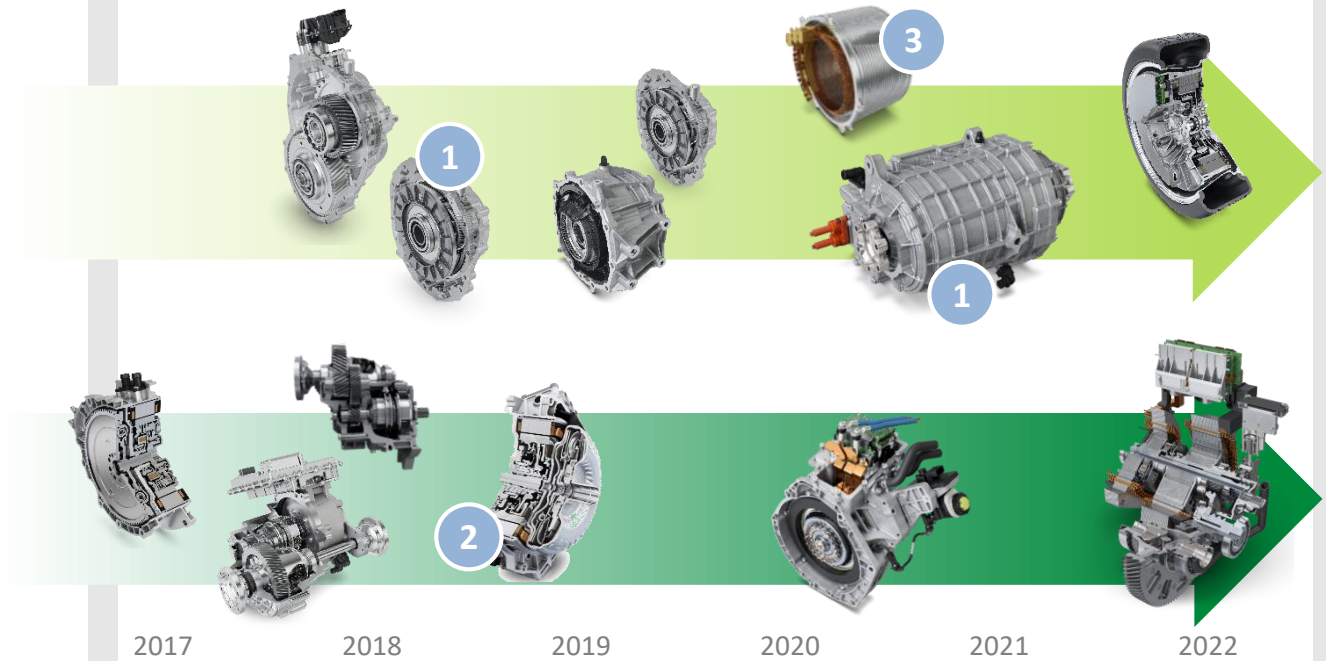
Vision Powertrain

Global vehicle production [in mn units]



Source: IHS and Schaeffler Assumptions / Values based on Light Vehicles < 6 tons only, ICE = Internal Combustion Engine; HEV = Hybrid Electric Vehicles ranging from 48V Mild Hybrid to PHEV, BEV = Battery Electric Vehicles (incl. Fuel Cell Electric Vehicles)

E-mobility Production Roadmap



- ▶ Hybrid Module Gen.2 and 2-speed E-Axle Transmissions for HEV applications in Series production
- ▶ Coaxial and parallel design 1-speed E-Axle Transmission for BEV application Europe SOP in process
- ▶ Hybrid Module Gen.3 with integrated Torque Converter to follow 12/2018

E-Mobility – Content per vehicle

SCHAEFFLER

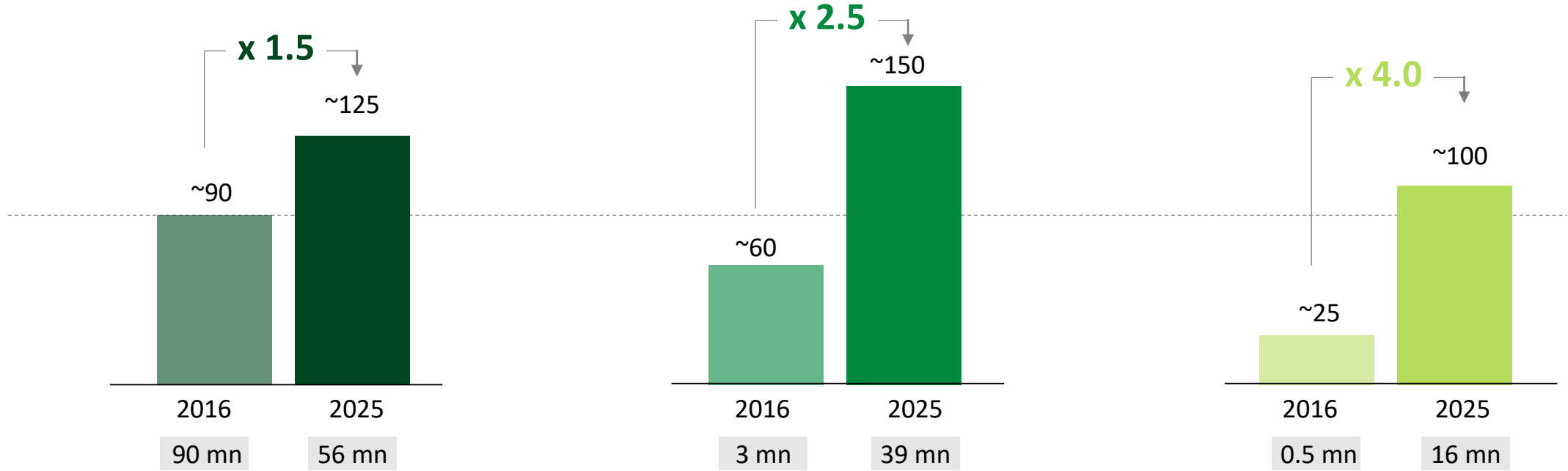
excl. Aftermarket, Heavy Duty & Motorcycles

Content per Vehicle ¹⁾ in EUR

1 ICE

2 HEV

3 BEV



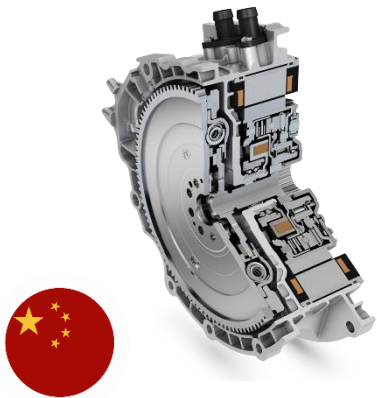
Average Content per Vehicle 2025
~EUR 130 ²⁾
~6% CAGR ³⁾

- mn No. of light vehicles²⁾

¹⁾ Average Schaeffler Content per light Vehicles produced world wide (excluding Aftermarket, Heavy Duty & Motorcycles content) ²⁾ according to Schaeffler Accelerated Scenario ³⁾ Market Growth 2016-2025: 1.8% (Source: IHS; July 2017) + Content per Vehicle growth ~4%

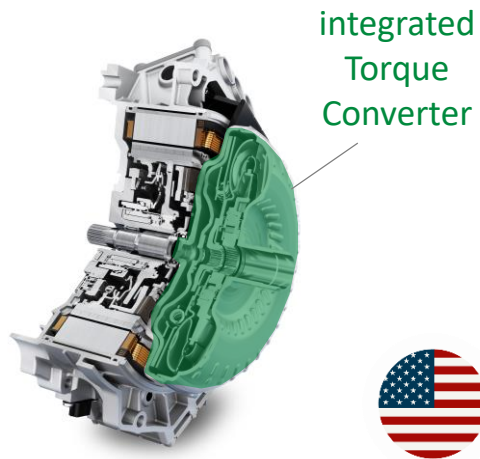
2017/2018 Schaeffler Hybrid Modules in Series Production

Gen. 2 Hybrid Module



SOP Q4/2017

Gen. 3 Hybrid Module

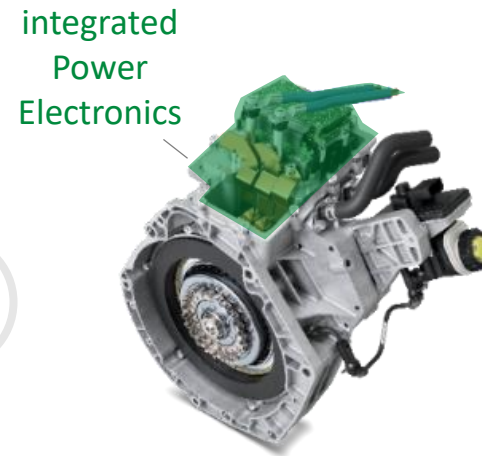


SOP Q4/2018

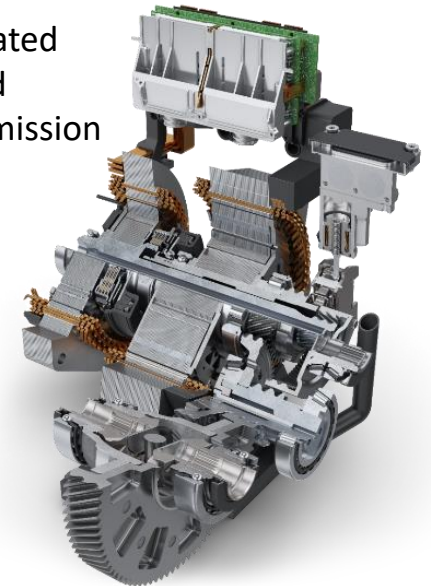
Market-specific solutions based on Schaeffler core know-how in Transmission Systems

Schaeffler Hybrid System Solutions 2020+

Gen. 4 Hybrid Module



Dedicated Hybrid Transmission

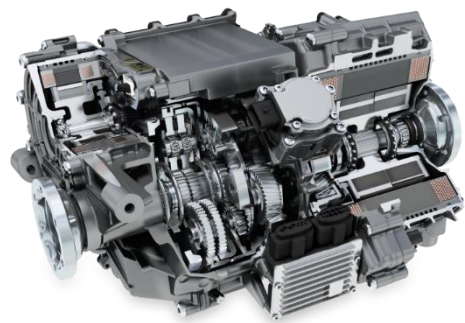


Hybrid Modules with integrated Power Electronics, as well as full dedicated Hybrid Transmissions (DHT) to meet future CO2 requirements at attractive cost, for all markets



Additional content potential per vehicle of up to **+100%** compared to Gen. 2 Hybrid Modules

2011-2014: BEV Concept Car Active-E-Drive



E-Axle System solution
with 2-speed transmission
and torque vectoring unit

2018 Schaeffler E-Axle Transmissions

SOP Q3/2018



Modular design kits



Schaeffler E-Axle System Solutions 2020+



Weight and material reduced by **~15 kg**



Peak Torque **x2** and
peak Performance **x2.5**



Additional **cost benefits** due to
modular design kits

E-Axle subsystems

Power Electronics



E-Machines



E-Axle Transmission



Actuators

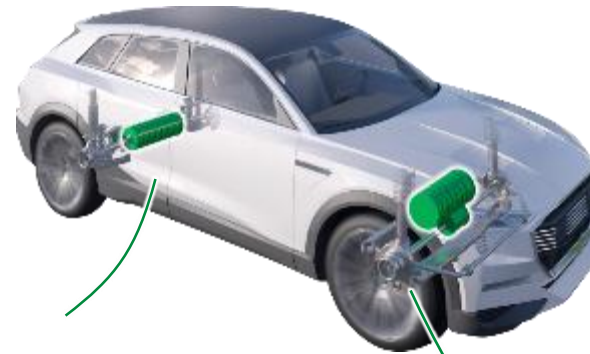


Software



2018 Schaeffler's new Lightweight E-Axle Transmissions for the Audi eTron Quattro

SOP Q3/2018



Rear:
Coaxial design
1-speed E-Axle
Transmission

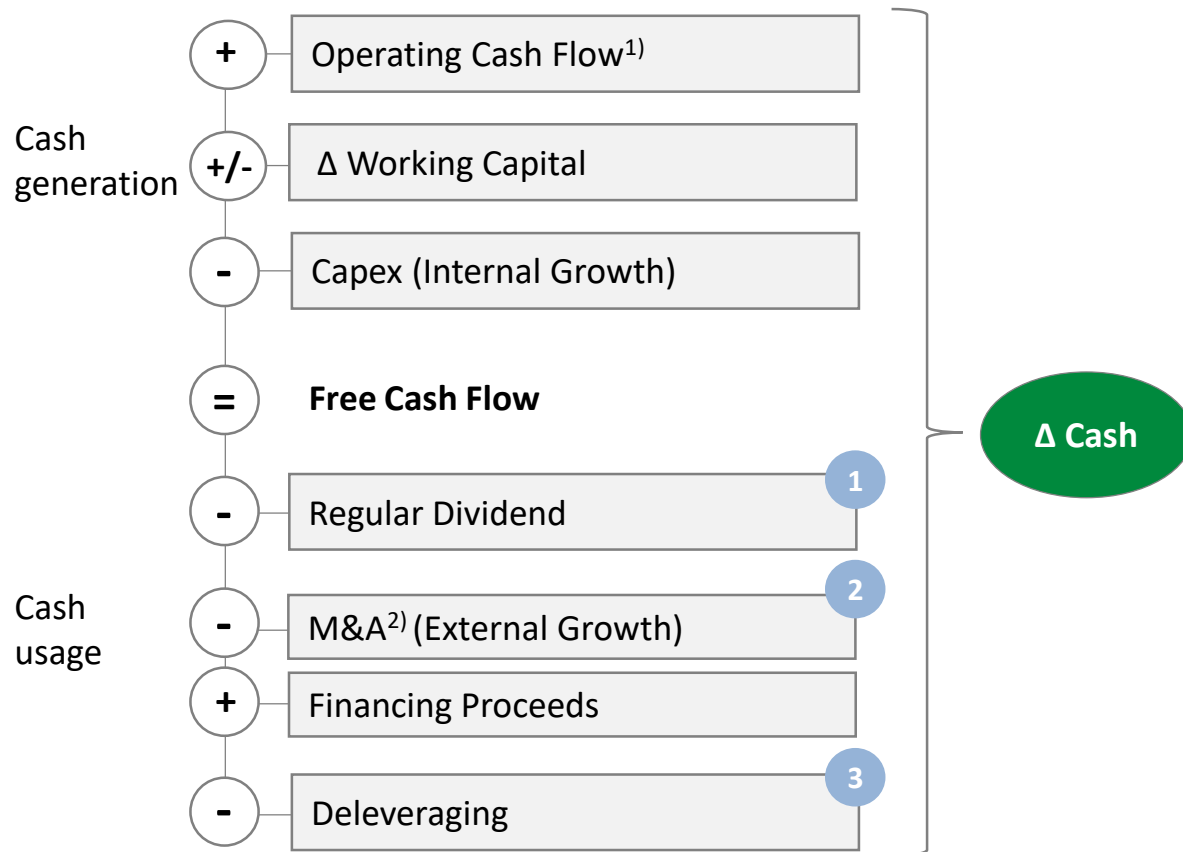
Front:
Parallel design 1-
speed E-Axle
Transmission with
integrated electr.
mech. parking lock



- ▶ Schaeffler supplies both E-Axle Transmissions for the new Audi eTron Quattro
- ▶ Both E-Axles are based on Schaeffler's patented Lightweight Differential technology
- ▶ The rear axle is build in coaxial design and sets a new benchmark in power density (230 Nm/kg).
- ▶ The front axle is build in parallel design and includes a parking lock with electro-mechanical actuator

Best-in class
power density for
E-Axle transmissions:
230 Nm/kg

Our Cash Flow formula



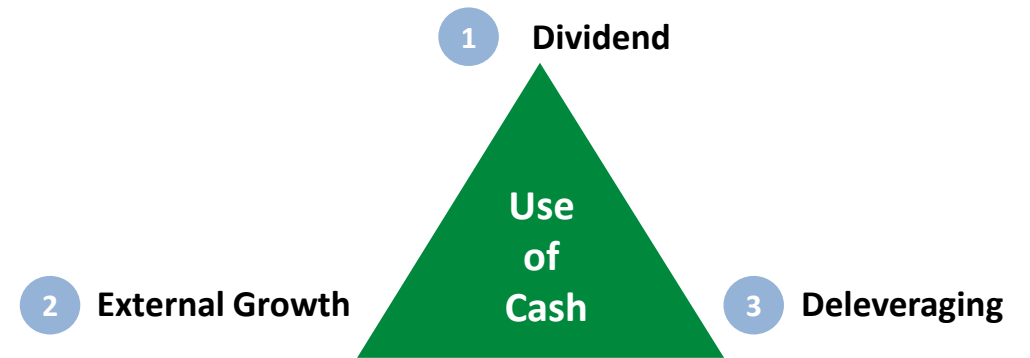
¹⁾ Before Δ Working Capital

²⁾ Including one-off long-term investment projects (i.e. Real estate)

³⁾ Adjusted for one-offs

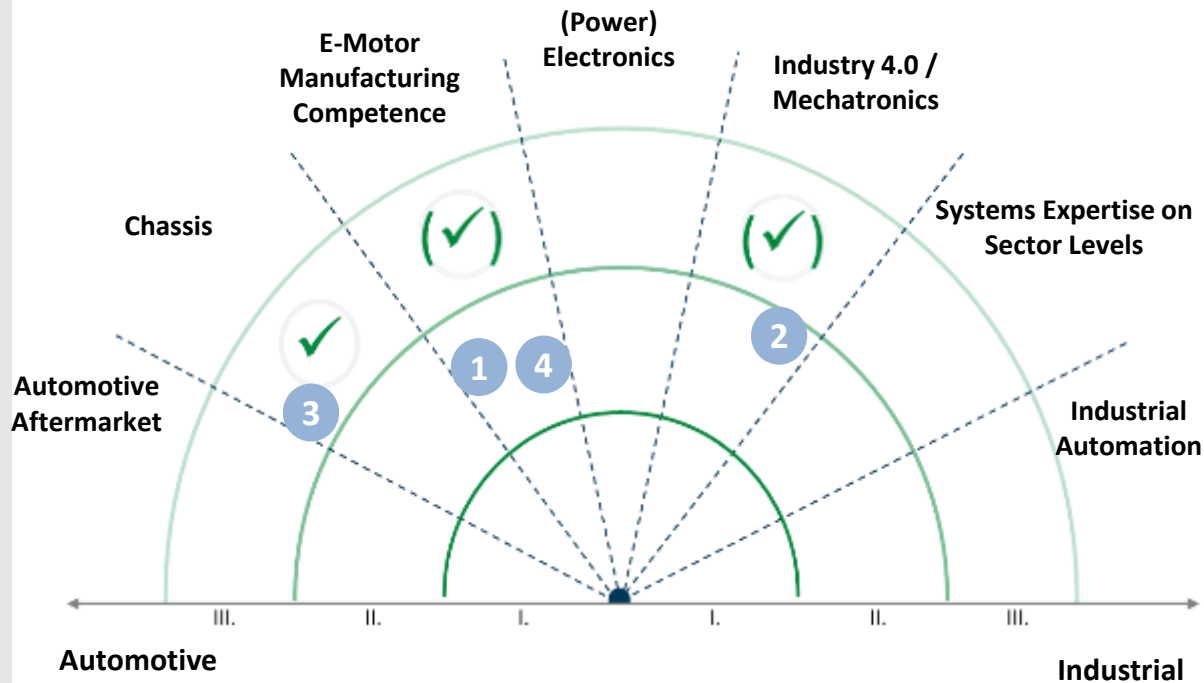
Key aspects

- ▶ Strong cash flow generation from operating business and 3 main uses of cash:



- ▶ Above average annual dividend pay-out (30-40% of net income³⁾)
- ▶ Internal growth financed from operating cash-flow, external growth primarily by debt
- ▶ Sound balance sheet, sufficient financing headroom to target external growth

7 Search fields



M&A transactions announced until November 30:

1 	2 	3 	4 
12/2016	10/2017	8/2018	11/2018

Key aspects

- ▶ Clearly defined M&A strategy based on 7 search fields with focus on technology, innovation and smaller add-on acquisitions
- ▶ Target transaction sizes to vary between EUR 100 – EUR 500 mn, strategic/cultural fit and value contribution as most important acquisition criteria
- ▶ 4 acquisitions made so far, growing M&A pipeline, disciplined execution is key to success



Focus on technology and execution

Steer by wire – Key aspects

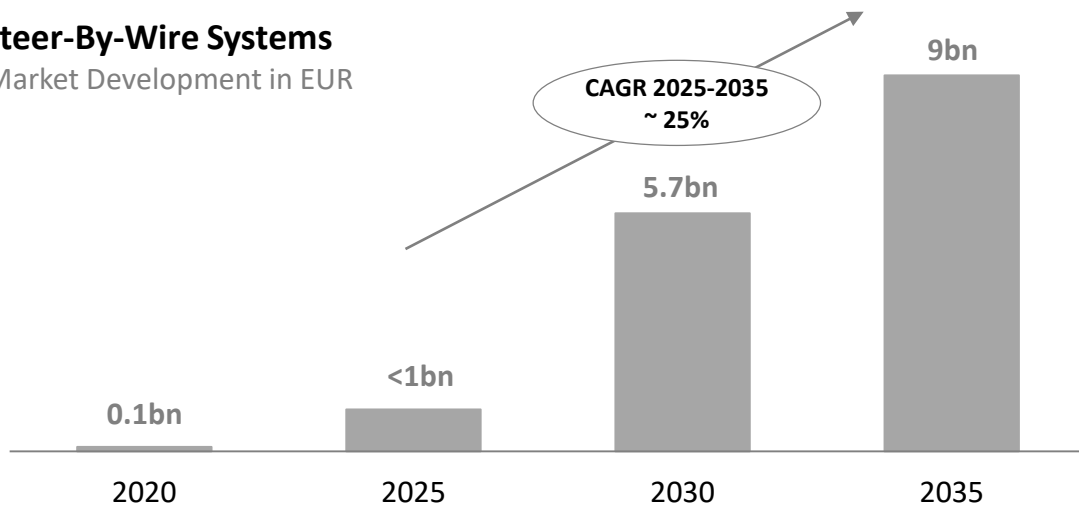
- Steer by wire is a key-enabling technology for the fast-growing market segment autonomous driving
- Paravan’s unique SPACE DRIVE technology is the only Steer-By-Wire System in the market which:
 - is road approved (> 500 Mio. Kilometers)
 - meets latest safety regulation standards
 - can operate also braking and secondary vehicle functions
 - can be scaled in to mass production

Selected components of the "Steer by wire"-technology



Steer-By-Wire Systems

Market Development in EUR



Acquisition – Key aspects

- Schaeffler acquires "Drive by wire"-technology from Paravan and its founder Roland Arnold
- Schaeffler establishes Joint Venture with Paravan founder (90%/ 10%) to develop and further industrialize the technology
- Acquired technology allows Schaeffler to enter the very attractive and fast-growing "Drive by wire"-market in an accelerated manner
- Closing in Q4 2018

Elmotec Statomat acquisition – Another key step in our E-mobility strategy

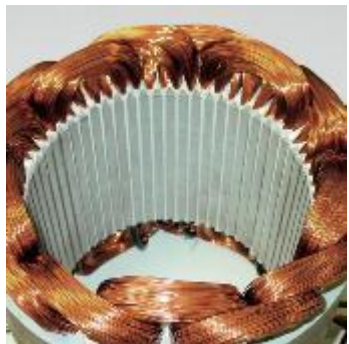
Elmotec Statomat – Key aspects

- Elmotec is a pioneer in the production of stator manufacturing machines and one of the leading suppliers of machines for the production of stators for electric motors, alternators and generators
- The headquarter of Elmotec Statomat GmbH is located in Karben near Frankfurt am Main (Germany). Elmotec has around 200 employees
- Elmotec has been focusing on the round wire, flatwire and continuous-hairpin process technologies, and holds over 50 patents for innovative winding technology (e.g. wave-winding)

Innovative technology & production processes



Expertise in winding-technology for E-Mobility



Round wire winding



Flat wire wave-winding



Continuous Hairpin winding

Acquisition – Key aspects

- Schaeffler acquires 100% of Elmotec Statomat GmbH from its two founders who remain in charge operationally
- Elmotec Statomat will be integrated within the E-Mobility business division
- The acquisition complements Schaeffler's E-Motor mass production and industrialization capabilities
- Closing expected in Q1 2019

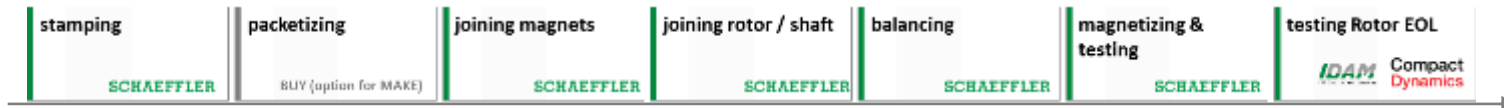
Elmotec Statomat acquisition – Closing the technology gap for mass production

Stator Manufacturing Processes*

ELMOTEC STATOMAT

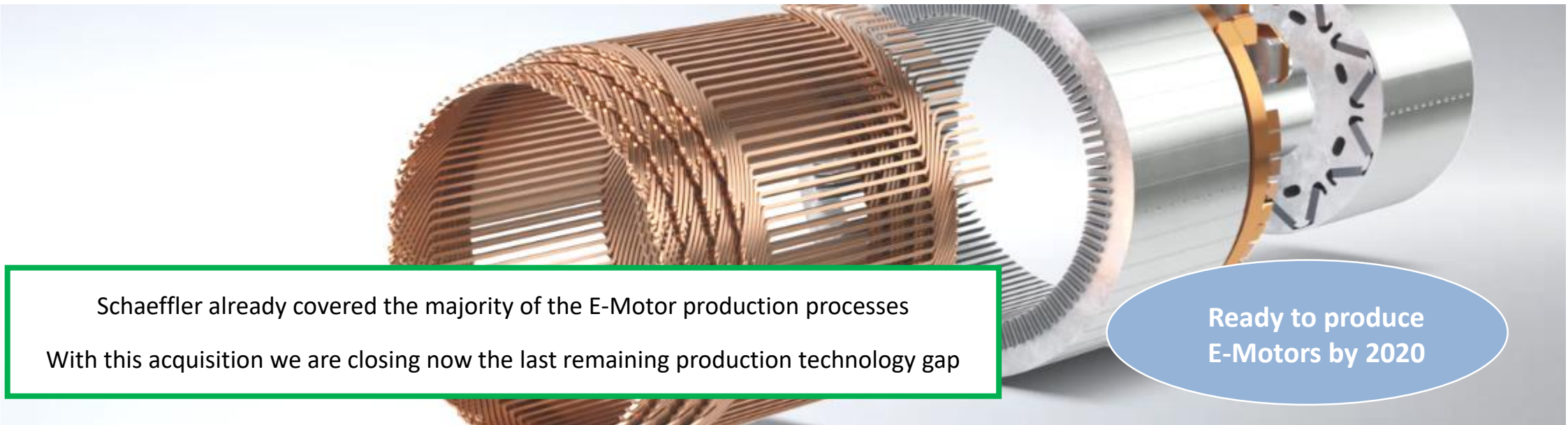


Rotor Manufacturing Processes*



- in series production at Schaeffler today
- prototyping machines available at Schaeffler
- ext. supplier technology as of today
- Production Technology Elmotec Statomat

SCHAEFFLER E-Motor with wave-winding technology



Schaeffler already covered the majority of the E-Motor production processes
 With this acquisition we are closing now the last remaining production technology gap

Ready to produce E-Motors by 2020

Key messages

1 FY 2018 guidance confirmed despite increasingly challenging and complex environment

2 We are executing on our strategy – “Agenda 4 plus One” excellence program drives our transformation, well on track

3 E-mobility deep-dive – We have a clear vision, the right team, leading technology platforms and strong capabilities to win in the market

4 Value creation – 30-40% dividend payout policy unchanged, more selective CapEx allocation, diligent execution of compelling M&A strategy

5 Currently working on a comprehensive plan to enhance our long-term competitiveness in Automotive OEM, while preserving our flexibility

6 FY 2019 guidance and revised 2020 Financial Targets will be communicated on March 6th

**Adapting execution
to a more complex
market environment**

SCHAEFFLER