

1. Fundamental information about the group

1.1 Overview of the Schaeffler Group

The Schaeffler Group (also referred to as “Schaeffler” below) is a global automotive and industrial supplier. Top quality, outstanding technology, and exceptionally innovative spirit form the basis for the continued success of the company. The Schaeffler Group identifies key trends early on, invests in researching and developing new forward-looking products, and sets new standards in technology. Extensive systems know-how enables the Schaeffler Group to offer comprehensive solutions that are tailored to customer and market requirements. By delivering high-precision components and systems in engine, transmission, and chassis applications, as well as rolling and plain bearing solutions for a large number of industrial applications, the Schaeffler Group is shaping “Mobility for tomorrow” to a significant degree. The company already offers innovative products for hybrid and electric vehicles today.

With its approximately 86,000 employees, the Schaeffler Group is one of the leading global technology companies, and its network of manufacturing locations, research and development facilities, and distribution companies consists of approximately 170 locations in over 50 countries. The group’s 75 production facilities are the cornerstone of its operations. As a global development partner and supplier, Schaeffler maintains stable long-term relationships with its customers and suppliers. In addition to Schaeffler AG, a publicly listed stock corporation incorporated under German law with its registered office in Herzogenaurach that acts as the group’s lead company, the Schaeffler Group includes 152 domestic and foreign subsidiaries as at December 31, 2016.

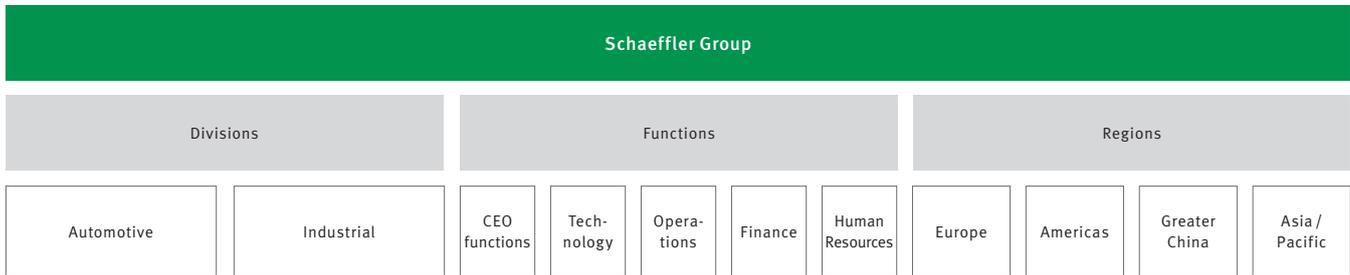
On November 09, 2016, Schaeffler AG presented its strategy “Mobility for tomorrow” to the public; the strategy was developed

over the course of 2016 and has been approved by the Board of Managing Directors and the Supervisory Board. Under its strategy “Mobility for tomorrow”, the Schaeffler Group concentrates on four Focus Areas: Eco-friendly drives, urban mobility, interurban mobility, and energy chain. These four Focus Areas are based on four megatrends that will influence the business of the Schaeffler Group in the future: Climate change, urbanization, globalization, and digitalization. Building on these megatrends and Focus Areas, the Schaeffler Group’s Board of Managing Directors developed 8 strategic pillars in cooperation with the Supervisory Board and senior management worldwide. These pillars define the company’s scope for strategic action for the next several years and constitute the basis for the continuous further development of the Schaeffler Group. The “Agenda 4 plus One” excellence program ensures that the strategy is executed; it comprises 16 Strategic Initiatives that have significance worldwide and have been selected from a variety of initiatives. The Schaeffler Group has set itself Financial Ambitions up to 2020 in order to consistently implement its strategy.

Schaeffler AG’s common non-voting shares are listed on the Frankfurt Stock Exchange. In April 2016, IHO Beteiligungs GmbH (until September 28, 2016: Schaeffler Verwaltungs GmbH) sold its remaining holding of common non-voting Schaeffler AG shares. As a result, all common non-voting shares are now widely held. IHO Holding, a group of holding companies owned indirectly by the Schaeffler family, continues to hold all of Schaeffler AG’s common shares. The above transactions have completed the realignment of the company’s corporate and capital structure and have increased the free float to approximately 24.9 % of Schaeffler AG’s total common and common non-voting share capital. Following a review of its mid-cap index, Deutsche Börse had decided in June 2016 to include Schaeffler’s shares in its MDAX index.

Schaeffler Group organizational structure

No. 001



Simplified presentation for illustration purposes.

Organizational structure

The Schaeffler Group’s organizational structure is characterized by a three-dimensional organizational and leadership structure which differentiates between divisional, functional and regional units. Thus, the Schaeffler Group’s business is primarily managed based on its Automotive and Industrial divisions, which consist of several business divisions or regions. The divisions include both the OEM business and the Aftermarket/trading business.

The Automotive division business is divided into the four business divisions Engine Systems, Transmission Systems, Chassis Systems, and Automotive Aftermarket. Since the beginning of 2016, the Industrial division is primarily managed based on regions. On this basis, the Europe, Americas, Greater China, and Asia/Pacific regions operate as profit centers responsible for the Industrial business in their respective markets.

In addition to the two divisions, the Schaeffler Group’s organizational model includes five functions: (1) CEO functions, (2) Technology, (3) Operations, (4) Finance, and (5) Human Resources. Distribution is embedded directly in each of the Automotive and Industrial divisions. The third dimension are the group’s four regions Europe, Americas, Greater China, and Asia/Pacific.

Leadership structure

The Schaeffler Group is managed by the Board of Managing Directors of Schaeffler AG. In addition to the Chairman of the Board of Managing Directors (Chief Executive Officer – CEO), the Board of Managing Directors comprises the CEOs of the Automotive (CEOs Automotive) and Industrial (CEO Industrial) divisions and the Managing Directors responsible for the Schaeffler Group’s functions (Chief Technology Officer, Chief Operating Officer, Chief Financial Officer, and Chief Human Resources Officer). The Board of Managing Directors is directly responsible for managing the company, setting objectives and strategic direction, and managing the implementation of the growth strategy taking into account the interests of shareholders, employees and other stakeholders of the company in order to add long-term value. The CEO coordinates the management of the company and the Schaeffler Group.

In addition to the divisions and the functions, the group’s matrix organization comprises the regions Europe, Americas, Greater China, and Asia/Pacific, each managed by a Regional CEO. The Regional CEOs report directly to the CEO. Together, the Board of Managing Directors and the Regional CEOs represent the Schaeffler Group’s Executive Board. In this manner, the Schaeffler Group’s organizational structure is reflected in its leadership structure.

The Supervisory Board of Schaeffler AG appoints, advises, and oversees the Board of Managing Directors and is involved in fundamental decisions. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board.

The Board of Managing Directors and the Supervisory Board comply with the recommendations of the German Corporate Governance Code in conducting their affairs and have issued the declaration of conformity required by section 161 German Stock Corporations Act (“Aktengesetz” – AktG) in December 2016. The corporate governance report including the corporate governance declaration in accordance with section 289a HGB, which includes the declaration of conformity required by section 161 AktG, is publicly available from the company’s website.

📖 See chapter entitled “Corporate governance” for further detail.

📄 Corporate governance report including the corporate governance declaration in accordance with section 289a HGB, which includes the declaration of conformity in accordance with section 161 AktG at: www.schaeffler.com/ir

Schaeffler Group leadership structure

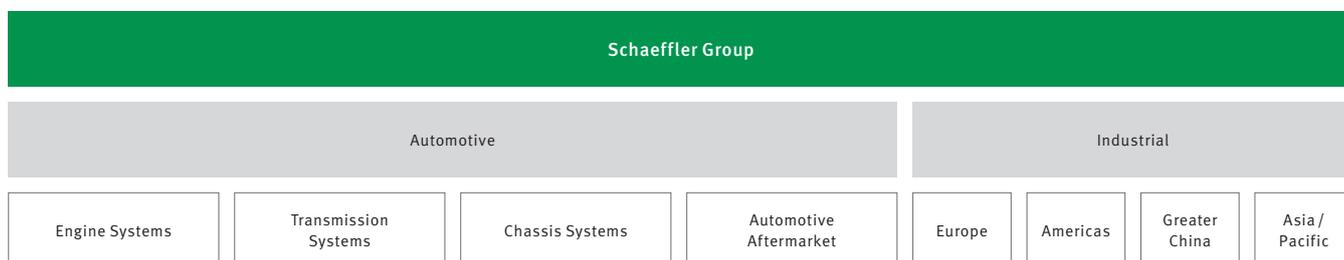
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Schaeffler Group divisions and business divisions

since January 01, 2016

No. 003



Simplified presentation for illustration purposes.

Legal group structure

In addition to Schaeffler AG, a publicly listed stock corporation incorporated under German law with its registered office in Herzogenaurach that acts as the group’s lead company, the Schaeffler Group includes 152 (prior year: 153) domestic and foreign subsidiaries as at December 31, 2016; 51 (prior year: 51) entities are domiciled in Germany and 101 (prior year: 102) in other countries.

Schaeffler AG’s share capital is divided into 500 million common bearer shares and 166 million common non-voting bearer shares as at December 31, 2016.

Each common share and each common non-voting share represents an interest in total share capital of EUR 1.00 each. The company’s main shareholder is IHO Verwaltungs GmbH (until September 27, 2016: Schaeffler Verwaltung Zwei GmbH), which

holds approximately 75.1 % of the shares in Schaeffler AG (500 million common shares). 166 million common non-voting bearer shares in Schaeffler AG are widely held. The free float amounted to approximately 24.9 % as at December 31, 2016. IHO Beteiligungs GmbH and IHO Verwaltungs GmbH also hold approximately 46.0 % of the shares in Continental AG.

1.2 Business activities

Divisions

The Schaeffler Group has divided its business activities into the two divisions Automotive and Industrial. The Automotive division is subdivided into four business divisions, which in turn comprise several business units. Since January 01, 2016, the Industrial division is primarily managed based on regions. The regions are divided into eight sectors and the trading business. The realigned management model is part of the program “CORE” initiated by the Board of Managing Directors in 2015.

The Automotive division supplies all major automotive manufacturers worldwide as well as approximately 3,300 automotive suppliers (Tier 1) and Automotive Aftermarket customers. The Automotive division generates approximately 77 % (prior year: 76 %) of the Schaeffler Group’s revenue. The Industrial division supplies precision products to approximately 8,500 customers in various industrial sectors. The Industrial division contributes approximately 23 % (prior year: 24 %) of the Schaeffler Group’s total revenue.

Simplified ownership structure

No. 004

as at December 31, 2016

