SCHAEFFLER

Report by the CEO
Klaus Rosenfeld

Check against delivery.

Annual General Meeting of Schaeffler AG
on April 24, 2019

Disclaimer

This presentation contains forward-looking statements, in particular statements which relate to future events or developments or which concern the future business performance of Schaeffler Group. The words "anticipate", "assume", "believe", "estimate", "expect", "intend", "may", "plan", "project“, "should" and similar expressions are used to identify forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about Schaeffler Group's beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Schaeffler AG. Forward-looking statements therefore speak only as of the date they are made, and Schaeffler Group undertakes no obligation to update any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. These statements are based on Schaeffler AG management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, but not limited to, future global economic conditions, changed market conditions affecting the automotive industry or other industries relevant for Schaeffler Group, intense competition in the markets in which we operate, costs of compliance with applicable laws, regulations and standards, diverse political, legal, economic and other conditions affecting our markets, and other factors beyond our control).

This presentation is intended to provide a general overview of Schaeffler Group’s business and does not purport to deal with all aspects and details regarding Schaeffler Group. Accordingly, neither Schaeffler Group nor any of its directors, officers, employees or advisers nor any other person makes any representation or warranty, express or implied, as to, and accordingly no reliance should be placed on, the accuracy or completeness of the information contained in the presentation or of the views given or implied. Neither Schaeffler Group nor any of its directors, officers, employees or advisors nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this information or its contents or otherwise arising in connection therewith.

The material contained in this presentation reflects current legislation and the business and financial affairs of Schaeffler Group which are subject to change.

Slide 1: Title slide of annual general meeting

Dear shareholders,

Dear Mr. Schaeffler,

Dear Supervisory Board Members,

Ladies and Gentlemen,

Dear guests,

On behalf of the entire Board of Managing Directors, it is my pleasure to welcome you to the fourth annual general meeting of Schaeffler AG here in Nuremberg's Frankenhalle.

This year's annual general meeting will of course be broadcast live on the internet until the general debate begins. I would therefore also like to greet all those who are following our annual general meeting online. I would like to extend a particularly warm welcome to all of the former Schaeffler Group employees who accepted our invitation to be here today. The fact that so many of you have again done so sends a very important signal. We appreciate your loyalty all the more when times are more challenging. Thank you for staying true to the Schaeffler Group.

We will be looking back at the 2018 financial year today: A year that began well but was then characterized by increasingly adverse conditions and increasingly difficult challenges. The 4th quarter of the year in particular was more troubled and turbulent than expected. This development incidentally affected not only us at the Schaeffler Group but other companies as well. You all know it, and you can feel it: The world and our environment are in motion. Perhaps more strongly and permanently than ever before: In politics, in business, and in society. Think for example of the major changes taking place in the automotive industry, which are displaying greater dynamics all the time: Electric mobility, the trend towards autonomous driving, and the unexpectedly severe decline in automotive business in China, one of our most important key markets. Or the trade disagreement between China and the USA, the issue of Brexit, driving bans, the discussion regarding diesel engines, and the new WLTP licensing conditions. These come in addition to declining growth dynamics in the global economy and their potential consequences for our industrial business.

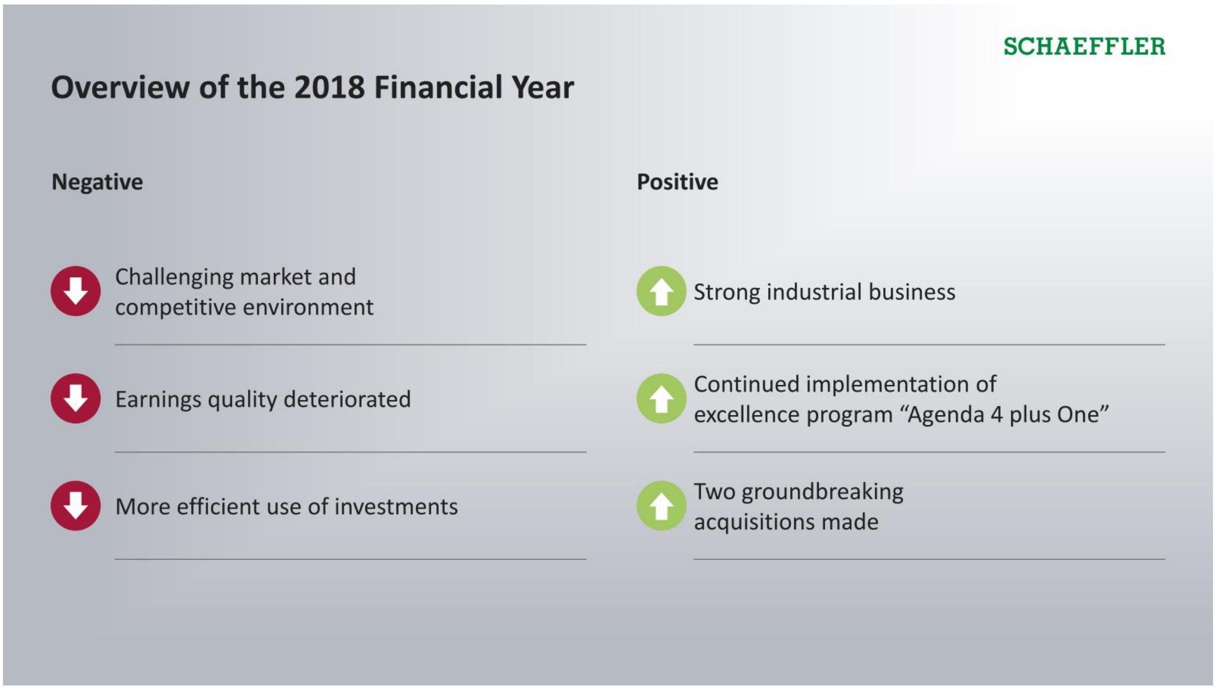
The list of topics is long. And let us not forget the transport and mobility revolution, the energy revolution, or any of the other changes taking place in political circles. None of these challenges are silently passing us by, and we as a company must prepare to face them. And of course the question occasionally arises of whether it would be a better idea, among the countless "revolutions" taking place around us, to make sure that our competitors in Asia do not leave us behind and we do not lose those whom we need in order to remain successful in the future. This applies to those in positions of state and social responsibility just as it applies to us as a company.

So what is to be done in this position? My colleagues on the Board of Managing Directors and I are all convinced that, in situations like this one, the smart thing – and the right thing – for us to do is focus on what we do best as a company: Our core areas of expertise. That also means working together as a team, not taking any excessive risks, acting in a forward-looking manner, "steering by sight", and most importantly, staying on course and doing everything we set out to do. We have established a good basis over the last few years to help us achieve this. Our strategy with its eight strategic pillars is in place. It is decisive and based on conviction. Even under adverse conditions. To implement our strategy, we have developed a transformation program – our ‘Agenda 4 plus One’, about which I reported in detail during last year’s annual general meeting – by which our competitiveness will be sustainably enhanced. The consistent implementation of the Agenda is continuing. What is more, we have also set an important course for the future as well as growing closer as a team. We achieved a great deal during 2018 while following this course. At other points, we had to deal with setbacks. Before I report on these in more detail and sum up the last financial year with all its positive and negative aspects, let me first conclude this introductory section of my report by slightly modifying a quote from the prominent English politician Winston Churchill: ‘Success is never final, and failure is not an option. It is the courage to continue that counts’.

Ladies and Gentlemen, please be assured that, however turbulent things become, whatever ups and downs we experience, and however much we move, we will stay on course. We will shape our future – the future of the Schaeffler Group – actively, dynamically, and bravely. After all, who better to handle movement than we at Schaeffler? Shaping movement efficiently and effectively is after all our business model: From the first hand carts and the INA needle roller bearing that marked the start of the Schaeffler Group’s successful story, through to our strategy ‘Mobility for tomorrow’.

That brings me to the first part of my report: A review and the key aspects of the **2018 financial year**. As I mentioned a moment ago, it was a mixed year, a year of both light and shade.

Slide 2: Overview of the 2018 financial year



Let me begin with the things that did not go so well and the areas in which we need to improve. I will concentrate here on the three most important points:

- Firstly: The market and competitive environment made the year very difficult for our Automotive OEM division in particular. During the 2018 financial year, we achieved a revenue increase of 2.1 percent in constant currency terms but had to cope with a decline in results of more than 28.8 percent. Our EBIT margin before special items dropped to 7.7 percent for the year as a whole. There were many reasons for this. And of course some of the reasons were of our own making. At the start of this year, we therefore announced the RACE program, to be led by Mr. Zink, who has been in sole charge of the division since Prof. Pleus' retirement. With his help, we will regain our old strength, but I will come back to this subject a little later on.

- Secondly: Our overhead costs rose faster overall than our revenue during 2018, which quite simply means that our earnings quality deteriorated. Or to put it another way: We are not yet efficient or lean enough in certain areas, and we must learn to make better use of the budgets that we have available. We will be taking countermeasures here as well.

- Thirdly: Our investments in certain areas were too high and we did not make efficient enough use of the capital available to us. Investments made <u>with</u> and <u>for</u> our customers have always been an elementary part of our business model. That is something that we will of course maintain. But not at any price. After all, every investment must be worthwhile and pay dividends.

In this regard, we must become more disciplined and invest our capital more consistently where the long-term dividends are greatest. This will be an important task – perhaps the most important task – over the coming years.

I now come to the positive aspects of the 2018 financial year. Here too, I would like to focus on the three points that I consider the most important:

- Firstly: The development of our Industrial division during the financial year was very impressive. The division achieved 10.1 percent revenue growth in constant currency terms and improved its EBIT by around 47 percent with an EBIT margin of 11.0 percent before special items. A boost was provided here not only by the market but also and in particular by the consistent implementation of the CORE program, which we put into place in 2015 under your leadership, dear Dr. Spindler. Please accept my sincerest thanks on behalf of all those who have played a part in implementing this program. Without your commitment, the Schaeffler Group would not have achieved its targets in 2018.

- Secondly: The good progress that we have made in implementing our ‘Agenda 4 plus One’. Out of a total of 20 initiatives, two have now been completed, and six others will be completed by the end of 2019. The implementation rate is currently 55 percent, which means everything is proceeding according to plan, and we are making continued progress. Our systematic and consistent approach is paying off.

- Thirdly: We made two strategically important acquisitions during the second half of 2018, and thus successfully implemented our M&A strategy with a focus on smaller, technologically interesting target companies. The acquisition of both Paravan and Elmotec Statomat has allowed us to expand our technological expertise in the important future areas of ‘autonomous driving’ and ‘electric mobility’. We will continue to implement this strategy over the next few years. It goes without saying that the strategy also applies to our industrial business.

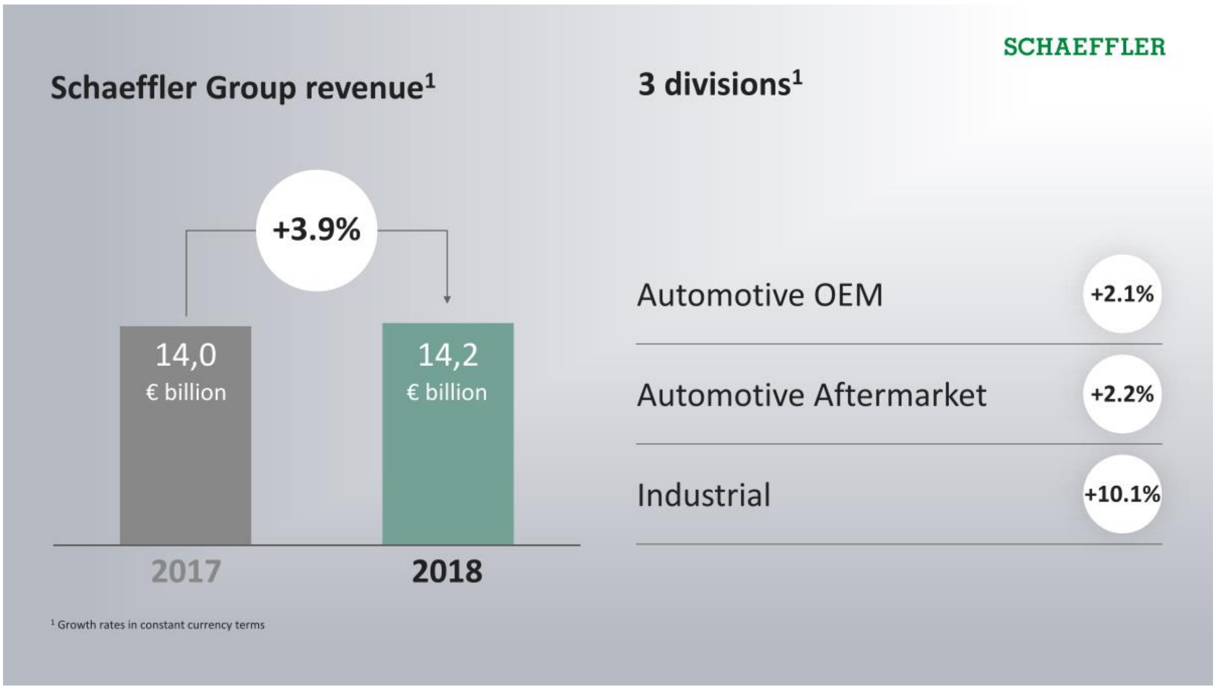
Before I address the key data for the financial year, let me first say a few words about the most important organizational change that we initiated and implemented during 2018: The integration of ‘Bearing & Components Technologies’ into the Automotive OEM and Industrial divisions.

By taking this step, we have now consistently assigned all of our plants to our divisions and business divisions and thus to the appropriate business. In doing so, our objective is to streamline our structure and reduce complexity and, more importantly still, enhance the level of business responsibility and entrepreneurial spirit of our plant managers. After all, something that applies equally now and in the future is that our plants and the many employees who work there day after day are – and remain – the backbone of our company.

The step of integrating BCT was not an easy one. It affected around 35,000 employees worldwide. I will not neglect at this point to express my particular thanks to our employee representatives – in whose name I will address them to you, dear Mr. Wechsler and you, dear Mr. Lenhard – for the good cooperation during 2018. Without you and the mutual trust that is ultimately also reflected in the future agreement that we concluded with the Works Council and IG Metall last year, we would never have made it to this point. Many thanks.

This brings me to the **key data** for the **2018 financial year**, starting with the revenue of the Schaeffler Group and its three divisions.

Slide 3a. Revenue of the Schaeffler Group and its divisions

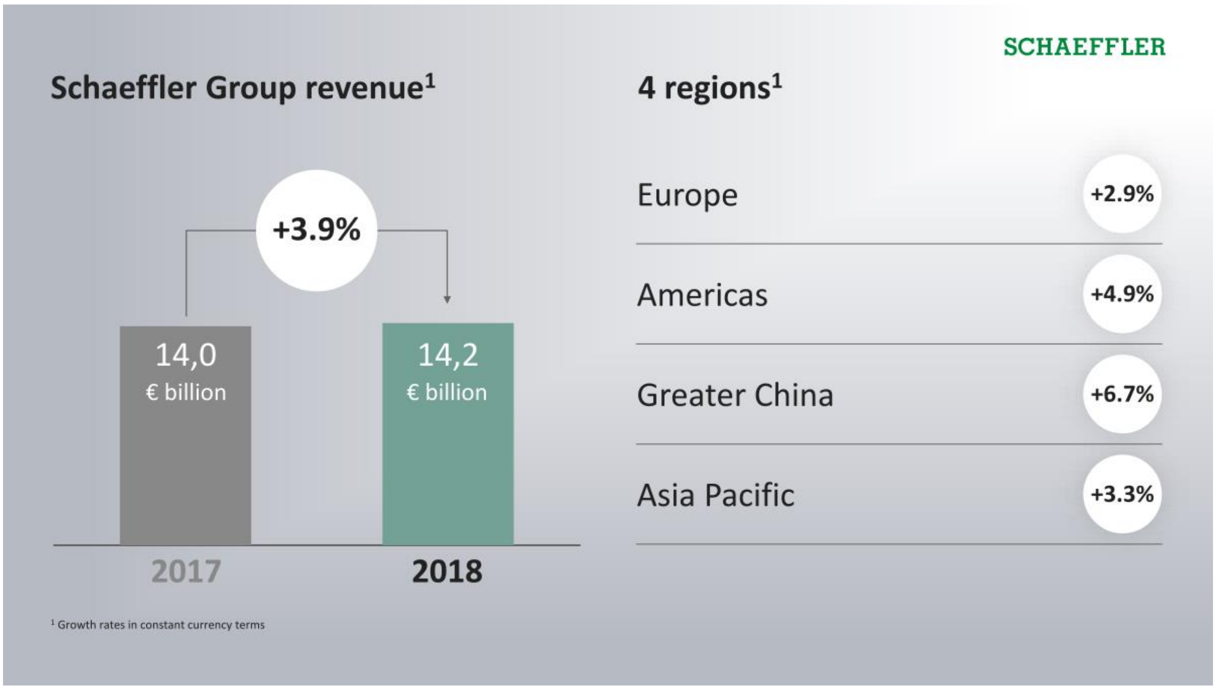


The revenue of the Schaeffler Group rose by around 4 percent in constant currency terms in 2018. This may be less growth than in the previous year, but it is still within our expectations. A positive announcement I can make here is that all 3 divisions contributed to this growth.

Despite the very difficult market environment, the Automotive OEM division achieved 2.1 percent growth in constant currency terms and thus increased its revenue to around EUR 9 billion. The main reason for the diminished growth is the lower level of demand from Europe and China, which is the result of market conditions. The Automotive Aftermarket division also struggled with the significant decline in market growth. It achieved 2.2 percent revenue growth in constant currency terms and revenues of around EUR 1.9 billion. The growth rate here was decisively influenced by a significant decline in the Americas region, where we achieved an extraordinarily high revenue in 2017 due to isolated additional demand from one customer.

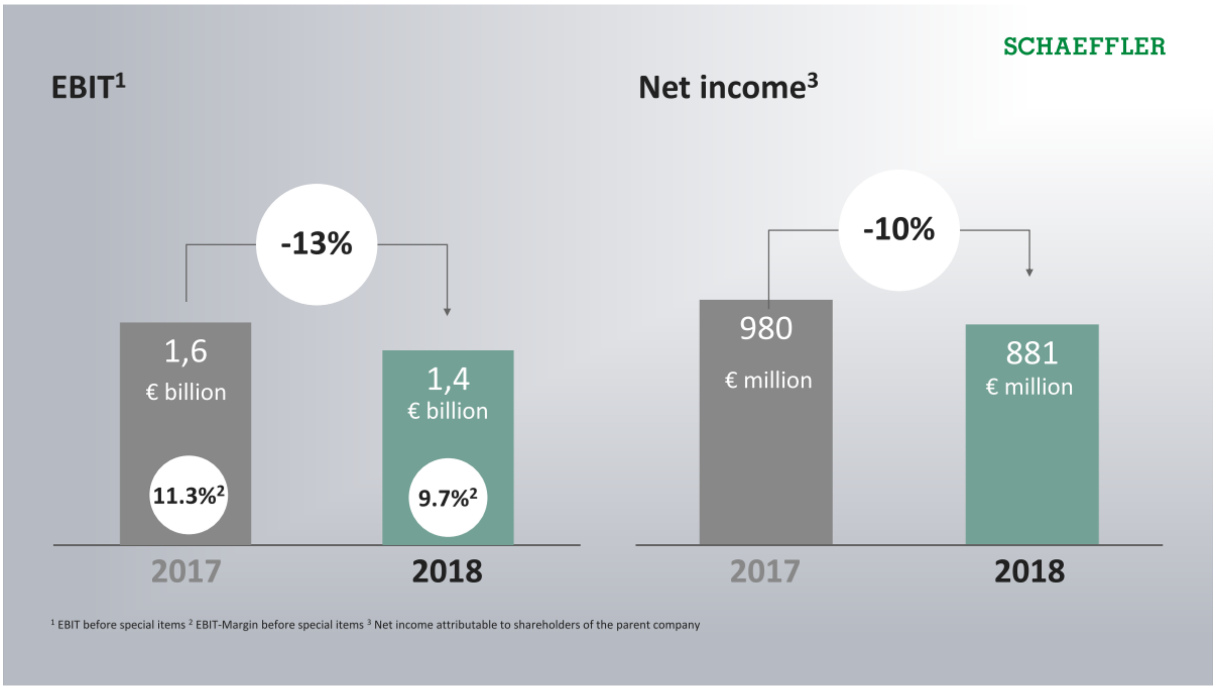
The development of the Industrial division has been immensely pleasing. It achieved more than 10 percent revenue growth in constant currency terms to around EUR 3.4 billion. In doing so, it continued the previous year's positive trend even more dynamically. Our Industrial Distribution business as well as the Raw Materials, Railway, Power Transmission, and Offroad sectors – all of which achieved double-digit growth figures in constant currency terms – were the decisive contributors here.

Slide 3b: Revenue of the Schaeffler Group and its regions



This brings me to our four regions: Revenue trends varied in the different regions. In Europe, revenue grew by 2.9 percent in constant currency terms. The Americas region achieved 4.9 percent growth due to the impact of currency translation. Greater China once again showed the strongest rate of growth. At 6.7 percent, however, the region's growth remained significantly below that of the previous year. The Asia Pacific region achieved revenue growth of 3.3 percent in constant currency terms. Looking at the regions, we can therefore see that they all contributed to our revenue growth. And thus to our net income.

Slide 4: EBIT and net income



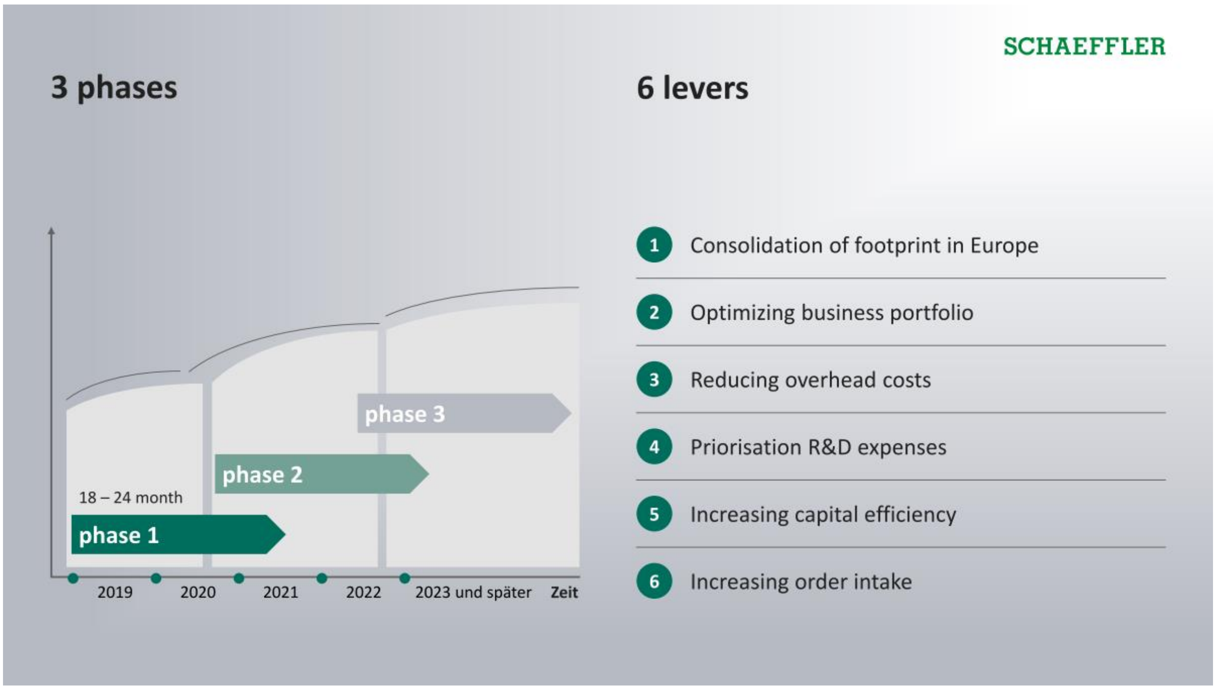
At EUR 1.38 billion, the Schaeffler Group's EBIT before special items was around 13 percent below that of the previous year. On this basis, the EBIT margin declined to 9.7 percent from the previous year's value of 11.3 percent. This negative development, which is primarily due to margin declines and price pressure as well as high fixed costs in our automotive business, is thus also reflected in our net income. Despite another slight improvement in our financial result, our net income declined by around 10 percent to EUR 881 million. Even though our EBIT margin of around 10 percent still places us in a better position than other companies in our sector, this cannot continue. We will do everything in our power to once again improve the quality of our results.

Let me briefly say a few words about the divisions. Automotive OEM achieved an EBIT margin of 7.7 percent before special items and thus remained significantly below the previous year's figure. It goes without saying that we are not satisfied with this. We therefore established the RACE program at the start of this year to increase our efficiency and optimize our portfolio and I will go into more detail about it later. With an EBIT margin of 17 percent before special items, the Automotive Aftermarket division was also significantly below the previous year's result. The result here was positively affected by operational one-time income that will not be repeated during the following year. Here too, we have to analyze structural factors that will also place a burden on our results in the future. A source of good news was the margin development in our Industrial division, which improved its EBIT margin before special items to 11 percent. This represents a margin improvement of 3 percent compared to the previous year, which is primarily thanks to the CORE program.

As you may remember, we initiated the CORE program in 2015 under the leadership of Dr. Spindler in order to tackle the problems being experienced in terms of the division’s results. To go into more detail here would take more time than I have available for this report, but I would still like to say this: The implementation of our CORE program is a true success story, and not only for the Industrial division. It shows that when we set ourselves an objective and we tackle the relevant issues decisively while working consistently as a team to resolve them, we can succeed. This is the approach we will now also be taking to tackle the problems we are facing in terms of results in our Automotive OEM division. We are aware that the problems are significantly more multifaceted and complex due to the much broader product portfolio with business that is structurally expanding and tending to decline as well as the fundamental changes that the global automotive industry is going through.

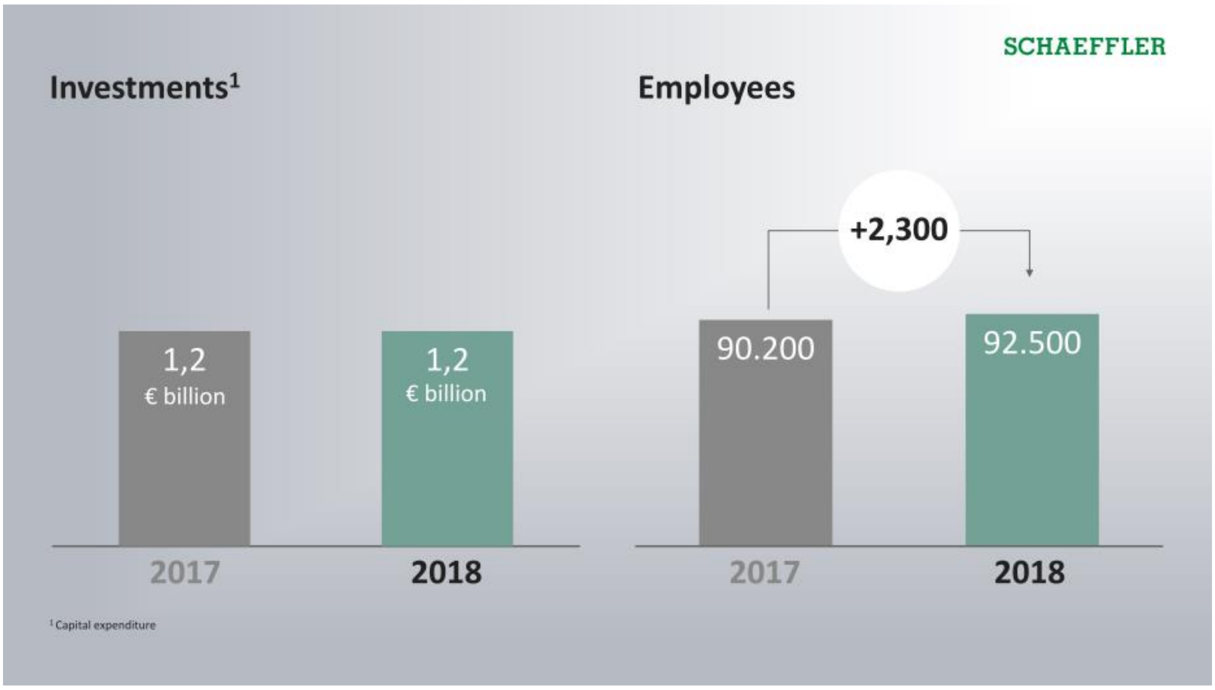
RACE is therefore more than just a cost reduction program. It is an efficiency and portfolio program as well. It will be implemented in three phases. In the first phase, we will be concentrating on six essential levers:

Slide 5: RACE program



As announced during our annual press conference in March, these six levers also include the further consolidation of our European plant network, by which we expect five of our plants and around 900 employees (700 of them in Germany) to be affected. We plan to avoid closures as far as possible here and instead search for alternative solutions such as sales, transfers, and the merging together of plants. At the same time, we are in agreement with our employee representatives that compulsory redundancies should be avoided and all measures implemented in the most socially responsible way possible. This is in keeping with the spirit of the future agreement that we concluded with the Works Council and IG Metall last year in order to enable and support in a trusting manner the inevitable transformation process in the Schaeffler Group.

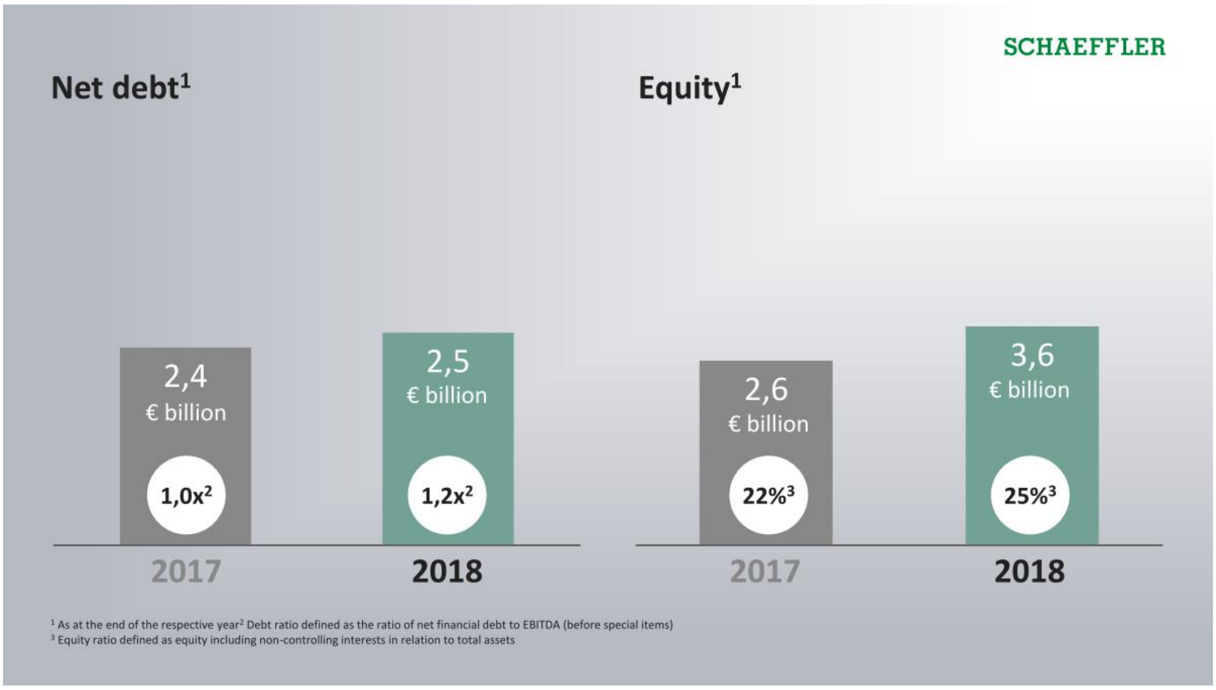
Slide 6: Employees and investments



This kind of step is not easy to take. After all, we are aware that motivated and qualified employees will also be decisive for our success in the future. In 2018, the number of employees rose by around 2,300 to around 92,500. We also continued to expand in Germany, where around 1,000 of the newly created jobs are based. During the past year, our investments were also at a high level of more than EUR 1.2 billion. This corresponds to an investment ratio of 8.7 percent of our revenue. 64 percent of the investments went into new products and growth. At the same time, we invested over EUR 200 million in plots and buildings, such as our new plant in Xiangtang, China.

That being said, let us now take a look at our consolidated balance sheet:

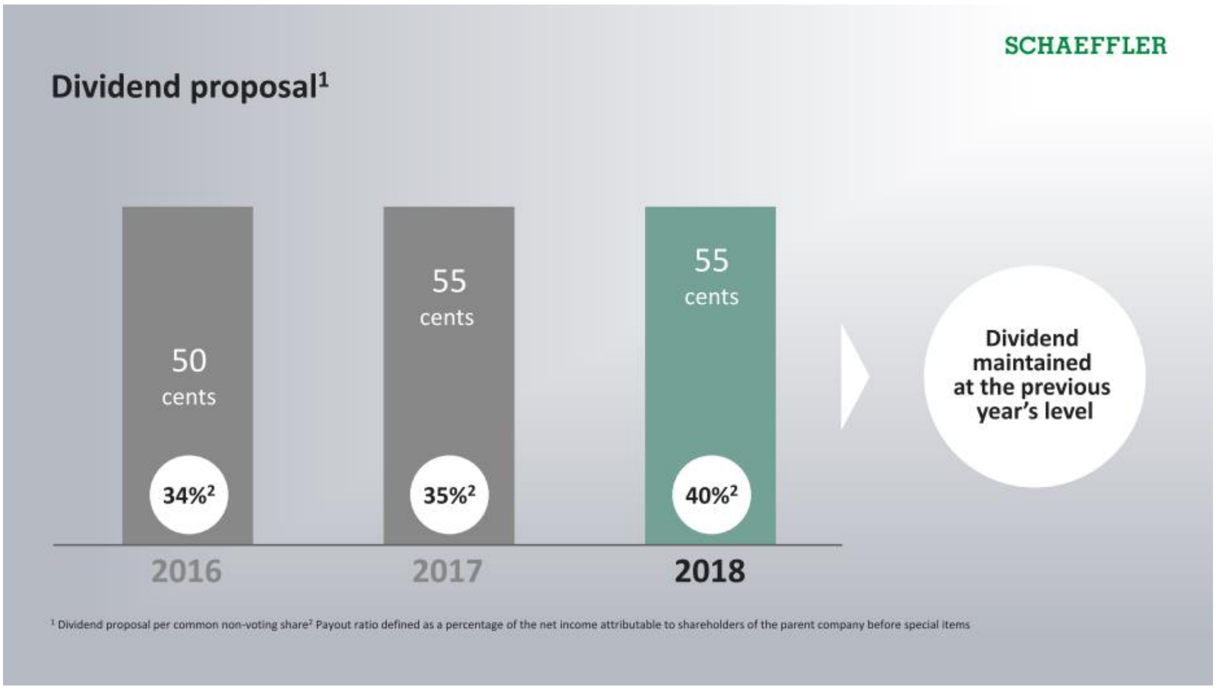
Slide 7: Net debt and equity



The quality of our balance improved during 2018. Our level of debt at the end of the 2018 financial year was EUR 2.5 billion. This corresponds to a debt ratio, in other words a ratio of net debt to so-called EBITDA (the result before depreciation, interest, and taxes) of 1.2. This is a slight increase compared to the previous year, which is due to our M&A activities among other factors. Our equity ratio is back at around 25 percent. No comparison whatsoever to previous years! We have achieved a level of balance quality that gives us enough financial freedom to consider selected acquisitions as part of our M&A strategy. Just like we successfully proved last year with the acquisition of Paravan's 'Space Drive' technology and of Elmotec Statomat.

That concludes the key points of the consolidated financial statements. Now for a few brief comments on the individual statement of Schaeffler AG. The surplus for the year 2018 based on German commercial law was EUR 499 million. As in previous years, this comes mainly from income from investments and is the basis for our profit appropriation and **dividend proposal**.

Slide 8: Dividend proposal



Our dividend proposal is based on the dividend payout ratio that we communicated to coincide with our IPO in 2015: 30 to 40 percent of the net income after tax and special items.

We propose that an unaltered dividend of 55 cents per common non-voting share be paid out. This places our dividend payout ratio at around 40 percent and thus at the upper end of the scale.

This is also a clear signal to you, dear shareholders, particularly after a year in which the development of Schaeffler's share price was not satisfying for any of us. There is no doubt that we, like other companies, had to deal with severe stock market losses – particularly during the second half of the year. To say this is bad news would be an understatement. Please be assured that we will to everything in our power to improve our performance again.

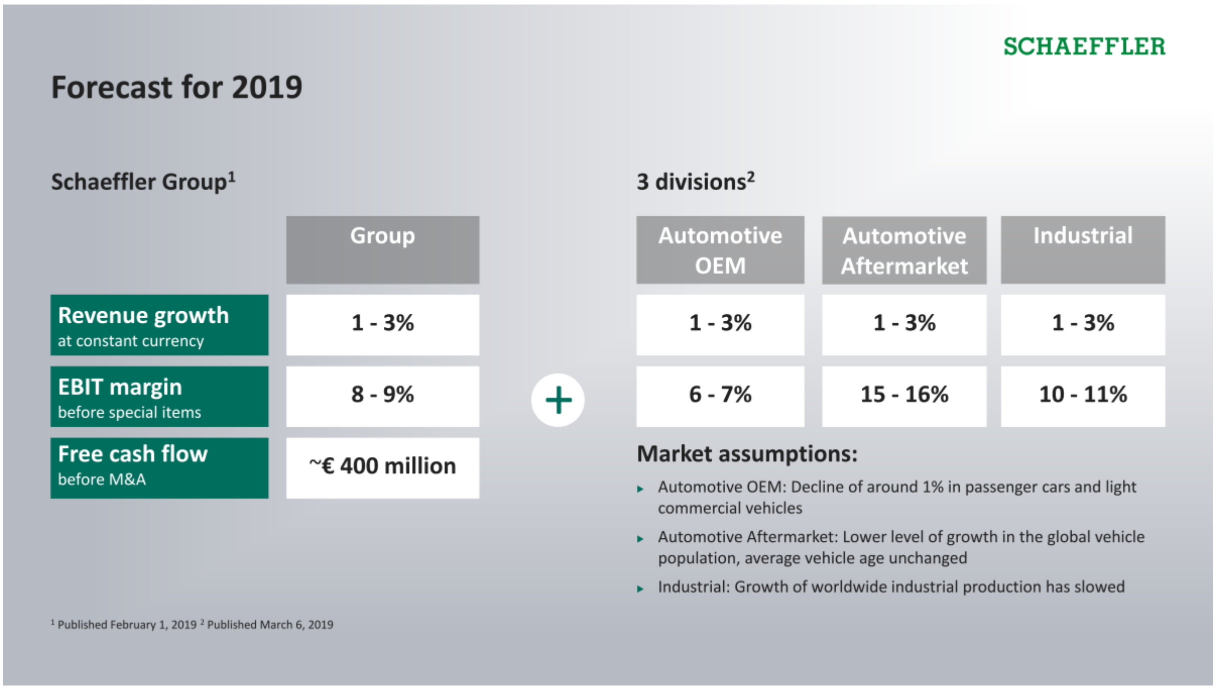
What makes us so confident? The capital market is about more than just share prices. It is also about trust. We know that we have to regain people's trust. And we are working to do so. At the same time, our highly successful placement of investment-grade bonds worth several billions – for which our offering was oversubscribed more than 8 times over – showed us that Schaeffler AG is in demand as a capital market player thanks to the strong balance and high level of financial strength that it now has. Three 'Investment Grade' ratings speak for themselves. That is thanks for the most part to you, dear Mr. Heinrich, so I would like to extend my sincere thanks to you and your employees.

That concludes my report on the 2018 financial year and our dividend proposal and brings me to the second part of my report: **Business development** to date for the current year and our **forecast** for **2019**.

Let me begin with our business development during the first months of 2019: As you know, our interim report for the first quarter will be published on May 8. I therefore ask you to understand that I must restrict myself to reporting on a few qualitative points today. What I can say is that we generally started the year 2019 as we had planned. Unlike last year, our current expectation is that growth dynamics will not speed up again until the second half of the year, particularly in our automotive business. This is also the basis for us to achieve our objectives in 2019.

We have made an intentionally cautious forecast for 2019 in light of the numerous areas of uncertainty. The structure of our forecast has remained unchanged, however: A forecast for the entire Schaeffler Group and an individual one for each of its three divisions.

Slide 9: Forecast for the Schaeffler Group and its divisions



We have set a target of 1 to 3 percent revenue growth respectively for the Schaeffler Group and each of its 3 divisions. On this basis, the Schaeffler Group's EBIT margin before special items should be 8 to 9 percent. We predict different results levels for the 3 divisions: 6 to 7 percent for Automotive OEM, 15 to 16 percent for Automotive Aftermarket, and 10 to 11 percent for Industrial. On this basis, we are aiming to achieve a free cash flow of around EUR 400 million for the Schaeffler Group. As in the previous year, this value does not include any payments for potential M&A transactions.

Our forecasts are valid for the current year, 2019. They always apply for the year as a whole and not for individual quarters. Despite the uncertainties and volatility I mentioned earlier, we will do everything in our power to ensure that we fulfill our forecasts for the year as a whole.

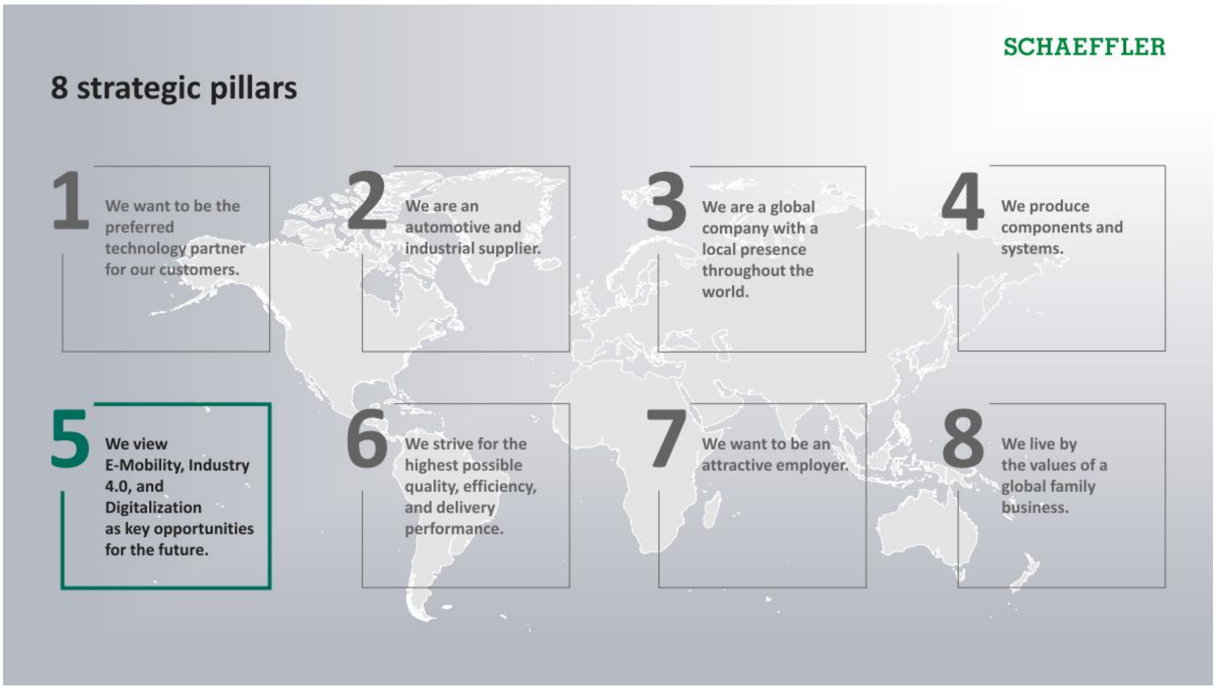
As reported during our annual press conference at the beginning of March, we have also abandoned our medium-term targets for 2020. Since conditions have developed to our significant disadvantage, the targets that we had set ourselves in 2016 based on very different assumptions were no longer realistically achievable. We have therefore introduced additional programs such as RACE. Furthermore, the changes we have made to our leadership team must also be taken into account and I will address these in greater detail later on. New medium-term targets will be announced as soon as our medium-term planning for the next few years has been completed and approved by the new leadership team.

This brings me to the third and final part of my report: The **implementation** of our **strategy**. As you know from past experience, our strategy is based on eight strategic pillars.

Slide 10a: 8 strategic pillars

The term 'strategy' always has something abstract about it. I am also convinced that a strategy is only ever as good as its implementation. I would therefore like to show you using four specific examples the ways in which we are bringing our strategy to life. In doing so, I will focus on the 5th strategic pillar, which relates to the 'E-Mobility', 'Industry 4.0', and 'Digitalization' fields: 'We view E-Mobility, Industry 4.0, and Digitalization as important opportunities for the future.'

Slide 10b: 8 strategic pillars



Let’s start by looking at **E-Mobility**. Because of our high dependency on the internal combustion engine, we at the Schaeffler Group face the particular challenge here of adjusting our range of products and services to match the drive trains of the future. To do so, we are relying most of all on hybrid technology. Let us take a look at how this will work in practice. Take the USA, for example – a major market for us. But also a market with rules all of its own. The most popular vehicles here are large, heavy pickups and SUVs. But even for these vehicles, there are unceasing calls for fuel consumption to be reduced. There is no doubt that this is a challenge – particularly in light of the fact that no fully electrified vehicles have yet been made available.

Ladies and Gentlemen, you will now meet Partick Lindemann who is in charge of our ‘Transmission Systems & E-Mobility’ team in Wooster, Ohio. Mr. Lindemann, tell us how we are shaping the future here.

Lindemann: “We are passionate about inventing and putting into production highly efficient propulsion systems jointly with our customers. In the U.S., the *market is different than in the rest of the world. Our distances to drive are longer, our cars are bigger and heavier – SUVs and pick-up trucks enjoy immense popularity. But if you look at hybridization in electric vehicles, we see this is offered mostly on smaller vehicles, the production of which is decreasing more and more. Some OEMs have even completely given up building these vehicles. With the P2 hybrid module put into volume production last year, Schaeffler developed a system that enables hybridization for larger vehicles. Taking a conventional powertrain of an SUV or pick-up truck, this module is simply fitted between the engine and transmission. Thus, we achieve higher fuel efficiency and clearly reduced CO^2 output and on top of it we offer customers more driving pleasure through additional performance."*

Thank you for an excellent example of how we are shaping change and thus mobility for tomorrow, Mr. Lindemann.

In addition to e-mobility, autonomous driving in particular will have a decisive influence on the future of the automotive industry. The things most readily associated with autonomous driving are usually cameras, radars, and sensors. But that is jumping to conclusions. **Autonomous driving** is also significant for Schaeffler. Think for example of our business in the chassis sector and our acquisition of Paravan technology. How are we at Schaeffler positioned in this area?

Dr. Kesselgruber, Head of our Chassis Systems business division, will tell us more about this. So how are we positioned in the field of autonomous driving, Dr. Kesselgruber?

Kesselgruber: "Autonomous driving is largely determined by three technologies. One is sensor technology for environment recognition. Artificial intelligence is another indispensable factor for driverless vehicles. And in fact, the same applies to simple steering, braking and acceleration functions – many people forget that these are also vital elements of autonomous driving. Schaeffler is very well *positioned in this field. We have a long track record in powertrains, and in chassis as well. And with the takeover of the so-called "Space Drive" technology from Paravan, we have acquired an electronic system that has clocked up a billion kilometers of drive-by-wire functions in vehicles for disabled people. Together with this company, we founded the Schaeffler-Paravan joint venture to develop such autonomous driving technology further."*

Thank you for your interesting insights, Dr. Kesselgruber.

Ladies and Gentlemen, you can clearly see that we are very busy. We showed you the Schaeffler MOVER live at last year's annual general meeting. Now, it is becoming autonomous. Autonomous driving is an important future topic for us.

Those were my first two examples. As you all know, we are not just an automotive supplier but an automotive and industrial supplier. Just as our second strategic pillar says and just as you always demand, dear Mr. Schaeffler. Let us therefore turn our attention to what we have to offer in our Industrial division. Here, "**Industry 4.0**" and thus industrial automation as a whole is one of the most significant future trends that are set to decisively define our business. Areas to which this applies include robotics and artificial intelligence.

At this point, I would like to introduce Dr. Tomas Smetana. He is in charge of our research and development activities in our Asia Pacific region and joins us now from Japan. Dr. Smetana, what is Schaeffler doing in the field of robotics and Industry 4.0 and what does this mean for our own production?

Smetana: "We have been investigating very advanced, fully autonomous robot systems in our production plants as part of our Industry 4.0 activities. Artificial intelligence, 3D vision systems or different types of wireless control devices are of course essential for the proper function of robots. On the other hand, we have also seen that there is still room for improvement in the kinematics and motion sequences of the robot arms with today's technology. As a manufacturer of high-

precision technology, Schaeffler's Automotive division has extensive knowledge in the field of mechatronics that will help us solve these problems. We have set up two R&D teams, one in Yokohama, Japan, and one in Changchun, Korea in order to be more agile and faster on the market."

Thank you Dr. Smetana for your insights. They show how important it is that we are an automotive and industrial supplier.

You may now be asking yourselves what role our new division, Automotive Aftermarket, plays with regard to these considerations. It goes without saying that our strategy also applies for our aftermarket business. One of the key questions here is how we can most effectively get our products and services to the customer. Worldwide. When it comes to China, for example, **digitalization** and the provision of digital services open up entirely new possibilities. The aftermarket sector in China is particularly fragmented, with around 400,000 distributors and half a million workshops all vying for a share of the market – a market that is set to grow very strongly during the next few years.

Felix Koo is in charge of Automotive Aftermarket in China and will now give us an insight into his business. Mr. Koo how can we ensure that Schaeffler will be the preferred technology partner in the aftermarket sector in China?

Koo: "Over the past ten years, the automotive market in China has seen tremendous growth. The car population has exceeded the 200-million threshold. In a few years it will have risen to over 300 million vehicles. This holds a tremendous opportunity for our Aftermarket division. As a leading manufacturer of automotive parts and systems in China, we will do our best to continue meeting our customers' demands with regard to product coverage, availability and technical services for all kinds of applications."

Thank you for sharing your assessment with us. Mr. Koo. You can see that Schaeffler is well positioned to exploit the opportunities in the Chinese aftermarket business.

That concludes my four examples which we have also explained in detail in our financial report. The motto of this year's financial report is 'Staying in Motion'.

Why? Because we are in the middle of a fundamental and multi-faceted transformation process.

A transformation process is a special kind of challenge for every company, every employee, and every manager. Every change begins in our minds. Change requires imagination, flexibility, courage, and determination. And change can only be successful when everybody works together: As one team, with one voice, and with one common goal. We are a strong team. And at the same time, we know that even strong teams change.

Slide 11: New members of Schaeffler Executive Board

As you all know, at the end of this year our long-term colleague on the Board of Managing Directors and my valued deputy Prof. Dr. Gutzmer will be leaving the Board of Managing Directors to begin his retirement.

Prof. Gutzmer's successor will be Mr. Uwe Wagner, who is currently in charge of Research and Development for the Automotive OEM and Industrial divisions. We are proud to be able to appoint Mr. Wagner as a successor from among our own ranks. After all, continuity and long-term successor planning are part of what makes a good team.

However, there is more to the Schaeffler Group's top leadership team than the eight members of the Board of Managing Directors. The top leadership team also includes the CEOs of our four regions – and all of us together form the Executive Board of the Schaeffler Group. There will also be changes here during the course of the year.

On October 1, Marc McGrath will succeed Bruce Warmbold, who has been working for the Schaeffler Group for more than 36 years, as CEO of the Americas region. Marc is currently responsible for our automotive business in the region and has been working for Schaeffler since his professional training in 1988. On the same date, Dharmesh Arora, who is currently in charge of our India subregion and our subsidiary company based there, will assume the position of CEO for the Asia Pacific region. He will succeed Helmut Bode, who has been working for the Schaeffler Group for 39 years. I would like to wish our new colleagues Marc McGrath and Dharmesh Arora a successful start and express my thanks to Mr. Warmbold and Mr. Bode for their decades of commitment to the Schaeffler Group.

By adding these new colleagues to our leadership team, we are not only placing our trust in continuity. We are also making our leadership team younger and more international. That is the right approach for the challenges that lie ahead.

A strong team. A team that will stay in motion and ensure that plenty of movement takes place.

Ladies and Gentlemen,

This brings me to the **end** of my report. Please allow me to sum up the most essential points once again:

- The 2018 financial year was a mixed year in which we experienced both successes and setbacks. It showed us that we cannot simply be content with our past successes and that we must instead look to the future and act both flexibly and bravely.

- Our strategy fits. It is right. And it will continue to be consistently implemented. Even under adverse conditions.

- Our future program 'Agenda 4 plus One' provides us with the right framework here. We will do everything in our power to improve our competitiveness with the help of this program. This also includes the flexibility to expand this program through the addition of new initiatives such as the RACE program.

- We are aware that the environment in which we are active will remain challenging throughout 2019. We have still set ourselves ambitious goals despite this. And we will focus more than anything here on fulfilling the promises we make and that we have made.

This is something we can only do if we, the Board of Managing Directors, constantly remind ourselves of one thing: The success of the Schaeffler Group is ultimately thanks to the work and tireless commitment of our roughly 92,500 employees worldwide.

Slide 12: Thanks to our employees

Without your enthusiasm, loyalty, commitment, and passion, we would not be where we are today. And without you, we will not be successful in the future. You are what characterizes Schaeffler as a family-owned stock company.

That is both an incentive and an obligation for us. My sincerest thanks to all employees who contributed to the success of the Schaeffler Group in 2018.

2018 was not an easy year, ladies and gentlemen. My colleagues on the Board of Managing Directors and I would like to thank you for your support and trust. We have many exciting years ahead of us. Please be assured that we will do the best we can. For our employees, for the Schaeffler family to whom we owe special thanks, for you our shareholders, and for our company: The Schaeffler Group. We are staying in motion.

Slide 13: Schaeffler

Thank you for your attention.