Part 1 – “Executing our strategy”

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Chief Executive Officer

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1 Introduction

2 Strategy “Mobility for tomorrow”

3 Excellence Program “Agenda 4 plus One”

4 Long-term value creation

5 Summary and outlook
Group Guidance FY 2018 confirmed – Divisional Guidance adjusted

Group Guidance

| Sales growth | Group | 5-6% FX-adjusted | ✓ |
| EBIT margin | 10.5-11.5% before special items | ✓ |
| Free Cash Flow | ~ EUR 450 mn before M&A | ✓ |

Market assumptions

- Automotive: Global Light Vehicle production growth of around 2%
- 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

Divisional Guidance

<table>
<thead>
<tr>
<th>Automotive OEM</th>
<th>Automotive AM</th>
<th>Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.5-5.5% (before 6-7%)</td>
<td>3-4%</td>
<td>8-9% (before 6-7%)</td>
</tr>
<tr>
<td>8.5-9.5% (before 9.5-10.5%)</td>
<td>16.5-17.5%</td>
<td>10-11% (before 9-10%)</td>
</tr>
</tbody>
</table>

- Divisional Guidance FY 2018 Automotive OEM adjusted due to weaker development in Light Vehicle Market in China and Europe
- Divisional Guidance FY 2018 Automotive Aftermarket unchanged
- Divisional Guidance FY 2018 Industrial upgraded due to continuously positive business development

1) As of March 7, 2018
Strategy “Mobility for tomorrow”
Schaeffler Roadmap 2016-2020 – Transformation gaining momentum

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

Roadmap Schaeffler Group

Today

Sustainable profitable growth

Mobility for tomorrow

"One Schaeffler"

"Agenda 4 plus One"
2016-2020

BCT¹)

Vision
Mission
Values

IPO

¹) Bearing & Components Technologies

12 2012 – 2016

2016 – 2020

2021 and beyond
2 Strategy “Mobility for tomorrow”

Strategy "Mobility for tomorrow" – 8 strategic pillars

1. Preferred technology partner
2. Automotive and Industrial supplier
3. Components and systems
4. Global player with local presence
5. E-Mobility, Industry 4.0, and digitalization
6. Quality, efficiency and delivery performance
7. Attractive employer
8. Global family business

One Schaeffler Approach
**Sales H1 2018**

- Automotive OEM accounts for 64% of Group sales
- Powertrain business (53%) includes growing E-Mobility business; Chassis business division (11%) agnostic to evolving powertrain mix

**EBIT**

**EBIT Margins**

1) Before special items
2) Including one-off in Q2 2018

**SVA**

- Schaeffler manages its business primarily by Schaeffler Value Added (SVA)
- Automotive Aftermarket contributes around 36% of Group SVA reflecting its significance

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**Pro Forma – For illustration purposes**

**EBIT** H1 2018

- Industrial and Automotive Aftermarket contribute nearly 50% of Group EBIT
- Resilient high margin Aftermarket business and improving profitability in Industrial

**SVA** LTM June 2018

- Schaeffler manages its business primarily by Schaeffler Value Added (SVA)

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**Transmissions**

- Engine 20%
- Transmissions 30%
- E-Mobility 3%
- Chassis 11%

**Powertrain**

- Automotive OEM accounts for 64% of Group sales
- Powertrain business (53%) includes growing E-Mobility business; Chassis business division (11%) agnostic to evolving powertrain mix
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
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 3 key initiatives of our Agenda 4 plus One
- Digitalization relevant for external “Go to market”, but in particular for optimizing our internal efficiency

Business logic

Excellence Program „Agenda 4 plus One“
Key aspects

- Comprehensive program with 20 initiatives started in Q2 2016
- All initiatives in implementation, overall Completion ratio of 45% as of August 2018
- EUR 300 mn profitability improvement target until 2022 (improvement compared to FY 2017)

### EBIT impact

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-32</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) Before special items
2) Provision for Shared Services provision of EUR 39m in 2017

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SCHAEFFLER

3 Excellence Program “Agenda 4 plus One”

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

Initiatives:

1. Customer Excellence
2. E-Mobility
3. Industry 4.0
4. Quality for Tomorrow
5. Global Footprint
6. Factory for Tomorrow
7. Shared Services
8. Process Excellence
9. Working Capital
10. Leadership & Corp. Values
11. Qualification for Tomorrow
12. New Work
13. Program CORE
14. Digital Agenda
15. IT 2020
16. Global Branding
17. Global Supply Chain
19. Global Reporting
20. Focus

Approved "Project Charter" by the Executive Board

Pro Forma – For illustration purposes

-32
-159
-45
-39
### Overview initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Start Date</th>
<th>Cost Efficiency Target</th>
<th>HCO(^1) Reduction Target</th>
<th>Restructuring Cost</th>
<th>Full Financial Impact</th>
<th>Focus</th>
<th>Completion Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CORE I</strong></td>
<td>10/2015</td>
<td>~ EUR 40 mn</td>
<td>-500</td>
<td>EUR 36 mn booked in 2015</td>
<td>12/2018</td>
<td>Industrial</td>
<td>100%</td>
</tr>
<tr>
<td><strong>CORE II</strong></td>
<td>10/2016</td>
<td>~ EUR 80 mn</td>
<td>-400</td>
<td>EUR 45 mn booked in 2016</td>
<td>12/2019</td>
<td>Industrial</td>
<td>&gt;50%</td>
</tr>
<tr>
<td><strong>Shared Services</strong></td>
<td>10/2017</td>
<td>~ EUR 25 mn</td>
<td>-100</td>
<td>EUR 39 mn booked in 2017</td>
<td>12/2022</td>
<td>Group</td>
<td>35%</td>
</tr>
<tr>
<td><strong>BCT(^2)</strong></td>
<td>5/2018</td>
<td>~ EUR 60 mn</td>
<td>-1,000</td>
<td>EUR [50] mn(^3)</td>
<td>12/2021</td>
<td>Auto OEM/Industrial</td>
<td>5%</td>
</tr>
</tbody>
</table>

**FCF Improvement Target**

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Start Date</th>
<th>Cost Efficiency Target</th>
<th>Restructuring Cost</th>
<th>Completion Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Working Capital(^4)</strong></td>
<td>4/2016</td>
<td>~ EUR 350 mn</td>
<td>-</td>
<td>75%</td>
</tr>
<tr>
<td><strong>Supply Chain(^5)</strong></td>
<td>8/2018</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
</tbody>
</table>

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1) HCO = Headcount  
2) On-top initiatives outside of Agenda 4 plus One  
3) Best estimate for 2018  
4) Focused on Trade Payables and Receivables  
5) Focused on delivery performance and inventories  

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For more details see Part 5: CFO presentation
3 Excellence Program “Agenda 4 plus One”

Financial Ambitions 2020 – Levers to increase EBIT margin

EBIT Bridge\(^1\) 2017/2020

in EUR mn

<table>
<thead>
<tr>
<th>2017A</th>
<th>2020E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,584</td>
<td>~2,000</td>
</tr>
</tbody>
</table>

- Profit improvement from operating business\(^3\) to be realized by continued growth in all three divisions and margin recovery in Industrial
- Successful realization of Agenda 4 plus One as a key driver to achieve mid-term targets
- Additional On-top initiatives put in place (i.e. BCT), more to come if necessary

Key aspects

Financial ambitions 2020 remain in place

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1) For illustration purposes
2) Financial Ambitions 2020 with EBIT before special items margin range of 12-13%
3) Key assumptions / prerequisite: stable / positive market development
4 Long-term value creation

Long-term value creation – Four main building blocks

**Building blocks**

1. **Outperformance in Automotive OEM**
   - Consistent growth above markets

2. **High margin in Automotive Aftermarket**
   - Resilient high margin business growing with market

3. **Margin upside in Industrial**
   - Continuously improving margin to 11-13%

4. **Strong Free Cash flow generation**
   - Strong operating Cash flow generation

**Key aspects**

- 3 divisions with different business characteristics and value drivers
- Resilient Aftermarket business compensates for Automotive OEM and Industrial business
- Strong Free Cash Flow generation as a key management focus

**Profitable growth and sustainable value creation**
4 Long-term value creation

Use of cash – Focus on future growth and attractive dividend

Our Cash Flow formula

Cash generation

+ Operating Cash Flow\textsuperscript{1)}

+/- \Delta Working Capital

- Capex (Internal Growth)

\[ \text{Free Cash Flow} \]

\[ \Delta \text{Cash} \]

Cash usage

- Regular Dividend

- M&A\textsuperscript{2)} (External Growth)

+ Financing Proceeds

- Deleveraging

Key aspects

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

  1. Above average annual dividend pay-out (30-40% of net income\textsuperscript{3)}

  2. Internal growth financed from operating cash-flow, external growth primarily by debt

  3. Sound balance sheet, sufficient financing headroom to target external growth

\textsuperscript{1)} Before \Delta Working Capital
\textsuperscript{2)} Including one-off long-term investment projects (i.e. Real estate)
\textsuperscript{3)} Adjusted for one-offs
Free Cash Flow\(^1\) 2017 / 2020

in EUR mn

- 2017A: FCF generated from growth = 488
- 2020E: FCF generated from growth = ~900

<table>
<thead>
<tr>
<th>Year</th>
<th>M&amp;A</th>
<th>Non-recurring items</th>
<th>FCF generated from growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017A</td>
<td></td>
<td></td>
<td>488</td>
</tr>
<tr>
<td>2020E</td>
<td></td>
<td></td>
<td>~900</td>
</tr>
</tbody>
</table>

**Key aspects**

- **Capital allocation approach strengthened**, Capex-to-sales-ratio to be brought back to 6-8% p.a. prospectively\(^3\)
- **More focus on tighter working capital management and capital deployment discipline**\(^4\)
- **Securing our investment grade ratings and further optimizing our financing structure**

**Tight capital and cost control**

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1) For illustration purposes
2) FCF before M&A to EBITDA before special items
3) 80% growth / 20% maintenance Capex
4) Including strict adherence to minimum hurdle rates, tighter approval level, ROI prioritization of projects
M&A strategy – Focus on technology and execution

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
- 3 acquisitions made so far, growing M&A pipeline, disciplined execution is key to success

M&A transactions made until September 20, 2018:

1. **Compact Dynamics**
   - 12/2016

2. **Aautinity systems**
   - 10/2017

3. **PARAVAN**
   - 8/2018
## Financial Ambitions 2020

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Growth</td>
<td>Ø 4-6% p.a.</td>
</tr>
<tr>
<td></td>
<td>w/o external growth, FX-adjusted</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>12-13% in 2020</td>
</tr>
<tr>
<td></td>
<td>Before one-off effects, w/o external growth</td>
</tr>
<tr>
<td>Free Cash flow</td>
<td>EUR ~900M in 2020</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>EUR ~2.00 per share in 2020</td>
</tr>
<tr>
<td>Gearing ratio 1)</td>
<td>&lt;75% in 2020</td>
</tr>
<tr>
<td>Dividend</td>
<td>30-40% of Net income</td>
</tr>
</tbody>
</table>

1) Net-debt to equity ratio (excluding pensions)

## Roadmap Schaeffler Group

- **Mobility for tomorrow**
- **„Agenda 4 plus One“ 2016-2020**
- **BCT 2016 – 2020**
- **IPO**

**Vision**

**Mission**

**Values**

**IPO 2021 and beyond**
Key messages

1. Dynamic and fast changing environment requires continued transformation of Schaeffler Group and proactive management

2. Transformation driven by Excellence program “Agenda 4 plus One” based on 8 strategic pillars

3. Above market growth in Automotive OEM, margin resilience in Automotive Aftermarket, margin upside in Industrial to drive value creation

4. Capital allocation framework strengthened; More focus on tight working capital management and capital deployment discipline

5. M&A strategy based on 7 search fields with focus on technology, innovation and value creation; M&A pipeline grows