3.1 Automotive Aftermarket

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CEO Automotive Aftermarket

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Michael Söding (56)
CEO Automotive Aftermarket

- 1988: Engineering and business degree Dipl. WI-MB, TU Darmstadt
- 1997: Knorr Bremse, Munich: Sales Europe, AAM
- 1997 – 2001: Exide, Büdingen: MD AAM Germany
- 2010 – 2018: Schaeffler, Langen: President AAM and Member of the Executive Board Schaeffler Automotive
- Since 2018: Executive Board Schaeffler AG
Agenda

1. This is Schaeffler Automotive Aftermarket
2. Resilient growth & High margin business
3. Conclusion
This is Schaeffler Automotive Aftermarket

Reliable profitable growth going forward – guidance confirmed

Sales and EBIT margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>EBIT Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,813</td>
<td>21.3%</td>
</tr>
<tr>
<td>2017</td>
<td>1,880</td>
<td>19.0%</td>
</tr>
<tr>
<td>H1 2017</td>
<td>928</td>
<td>17.3%</td>
</tr>
<tr>
<td>H1 2018</td>
<td>925</td>
<td>19.0%</td>
</tr>
</tbody>
</table>

+3.2%1)  
+3.6%1)  

Sales by region3)

- Europe
- Americas
- China
- Asia/Pacific

Sales H1 2018: EUR 925 mn

Sales split by channel

- Components business
- OES business
- Solutions business

1) FX adjusted  
2) adjusted before one off effects
We are able to deliver to all possible demand patterns

Implications
- Time Shift of ~8 years to OE
- 20 years of AAM relevance

Field Actions

Implications
- Unpredictable
- One-time effects
- Variable impact on annual sales - up to MEUR 100/yr.
We set a unique value proposition in a complex eco-system – 7L/7E

7 Levels – aftermarket value chain

- Production
- Repair Solutions
- National
  - Regional
  - Local
- Workshop
- Motorist

7 Elements – our unique value proposition

- Know-how and Tools
- Pricing
- Availability
- Product
- Customer Service
- Program/Systems
- CRM

Customer Satisfaction

- 79 +
- 85 ++

1 This is Schaeffler Automotive Aftermarket

September 20, 2018

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Everything we do is geared at unlocking the value at the workshop level

7 Levels – aftermarket value chain

- Production
- Repair Solutions
- National
  - Regional
  - Local
- Workshop
- Motorist

Lead Times

<table>
<thead>
<tr>
<th>Level</th>
<th>Lead Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>3 months</td>
</tr>
<tr>
<td>Repair Solutions</td>
<td>7 days</td>
</tr>
<tr>
<td>National</td>
<td>2 days</td>
</tr>
<tr>
<td>Regional</td>
<td>1 day</td>
</tr>
<tr>
<td>Local</td>
<td>1 h</td>
</tr>
<tr>
<td>Workshop</td>
<td>4–8h</td>
</tr>
<tr>
<td>Motorist</td>
<td>same day</td>
</tr>
</tbody>
</table>

Value to be captured

- Parts
- Labor
- Tax

Set # of billable hours

Parts
Labor
Tax

Value to be captured
Agenda

1. This is Schaeffler Automotive Aftermarket
2. Resilient growth & High margin business
3. Conclusion
5 building blocks shape our strategy for highly profitable growth

- Product Portfolio
- Global Presence
- Cross-Selling
- Digital Competence
- Operational Excellence

Highly Profitable Growth

Three Growth Drivers

Foundation for Profitability
Mission-critical investment for the shift from components to solutions business

OPERATIONAL EXCELLENCE
Global Footprint

Resource Allocation
Speed and Flexibility

Driving efficiencies

5
Aftermarket-Kitting-Operations (AKO)

28
Regional Warehouses

71
Sales Locations

Turning 8 warehouses into 1
Reduction of working capital
Improved Delivery Service Level
2 Resilient growth & High margin business

Targeted investments in digital innovation lay the second foundation for profitability

**Digital Competence**

**Data**
- Enable digitalization through data infrastructure
  - Single point of truth
  - Cataloging / data matrix code
  - Improve efficiency

**Information & Sales Channel**
- Product, quality, brand & price information
- Sales through own country & parts shop
- Sales through online platforms

**Active Participation**
- Association work driving legislation
- Data access through industry platform
- Derive business models

**Resource Allocation**

- **Enablement & Efficiency**
- **Safeguarding High Margin**
- **Collaboration for Digital Innovation**

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We are capturing the opportunities of a growing demand with investing a full range coverage.
2 Resilient growth & High margin business
As local as possible, as global as necessary is tailored best for market needs

GLOBAL PRESENCE

Resource Allocation
Local Presence in Asia Pacific

Focus Countries
Thailand  Indonesia  Korea  Australia

Sales Footprint
Local sales  Technical support  Online Order Systems

Product Coverage
Local R&D  AKO Singapore  Local Sourcing

Net Sales Development
high single digit growth

On Track

2017  2023

SCM/ Logistics
IT- & Planning Systems
Sales Footprint
Product Coverage

Global infrastructure implemented
2 Resilient growth & High margin business

We increase our share of wallet with our benchmark Customer Relationship Management

**CROSS-SELLING**

- Established customer base

**Resource Allocation**

Bearings and seals program for North America

- Impressive portfolio with 9,000 bearings and seals
- Successful entry into North American bearings and seals market
- Significant potential from collaboration with a top U.S. retailer

**2011**

Clutch Solutions

**2018**

Bearings and Seals Program
1. This is Schaeffler Automotive Aftermarket
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### Top Line Drivers

1. Continuous conversion to product solutions  
2. Best-in-class services towards workshops  
3. Increasing and ageing car park in Asia  
4. Product range and cross-selling  
5. Improved continuity in supply (e.g. AKO)

### Top Line Challenges

1. Accelerated market consolidation  
2. Intensified competition in key product components

### EBIT Margin Drivers

1. Conversion to solutions enables higher margins  
   (less competition – more value added)  
2. Execution of productivity programs  
   (e.g. AKO)  
3. Successful pull strategy enables pricing power  
4. Incremental fixed cost coverage  
   (economies of scale)

### EBIT Margin Challenges

1. Intensified competition  
2. Market consolidation and change in purchasing power  
3. Change in regional mix  
4. Productivity-related investments (e.g. AKO)