



Capital Markets Day 2019

Schaeffler AG

September 11, 2019
Frankfurt

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Agenda

1	Klaus Rosenfeld	Strategy Schaeffler Group – Portfolio and capital allocation priorities	15:10
2	Matthias Zink	Automotive OEM – Shaping the future in a more complex market	15:25
2.1	Jochen Schröder	E-Mobility – Delivering on our BEV and HEV targets	15:40
2.2	Patrick Lindemann	HEV Technology – Maximum benefit, minimum space	15:55
3	Uwe Wagner	R&D – The way forward in Innovation and Efficiency	16:10
4	Michael Söding	Automotive Aftermarket – Coping with structural changes to fund growth	16:25
5	Stefan Spindler	Industrial – Successful execution in a more challenging environment	16:45
6	Dietmar Heinrich	Schaeffler Group results – Focus on self-help measures	17:05
7	Klaus Rosenfeld	Conclusion, followed by Q&A with all presenters	17:15

1

Strategy Schaeffler Group – Portfolio and capital allocation priorities

Klaus Rosenfeld, CEO

Strategy Schaeffler Group – Six key messages

- 1 Environment remains challenging – Self-help measures and continued transformation

- 2 We remain an Automotive and Industrial supplier – More focus on where to play and how to win

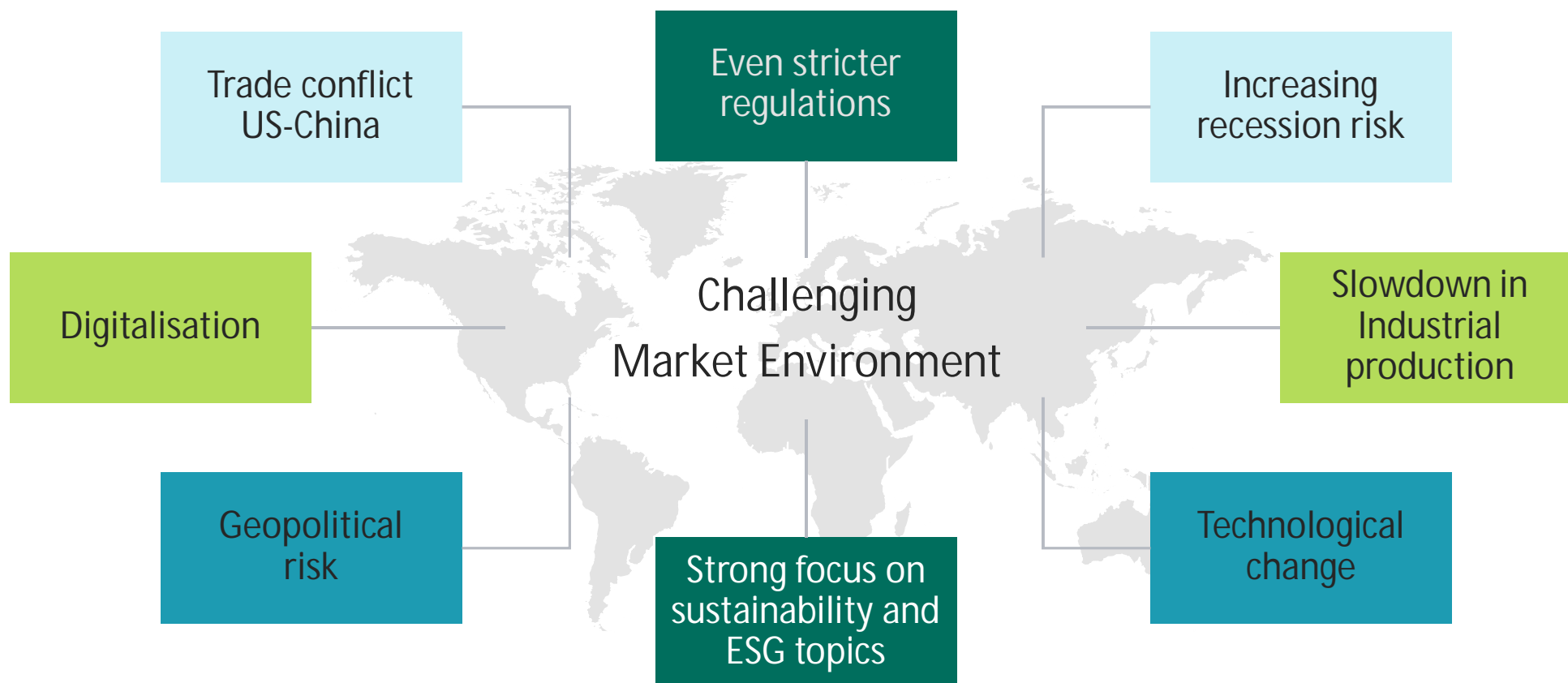
- 3 Capital allocation framework further strengthened – Cash generation and capital discipline remain key

- 4 Strategic Roadmap 2020-2024 in preparation – Getting ahead of the curve

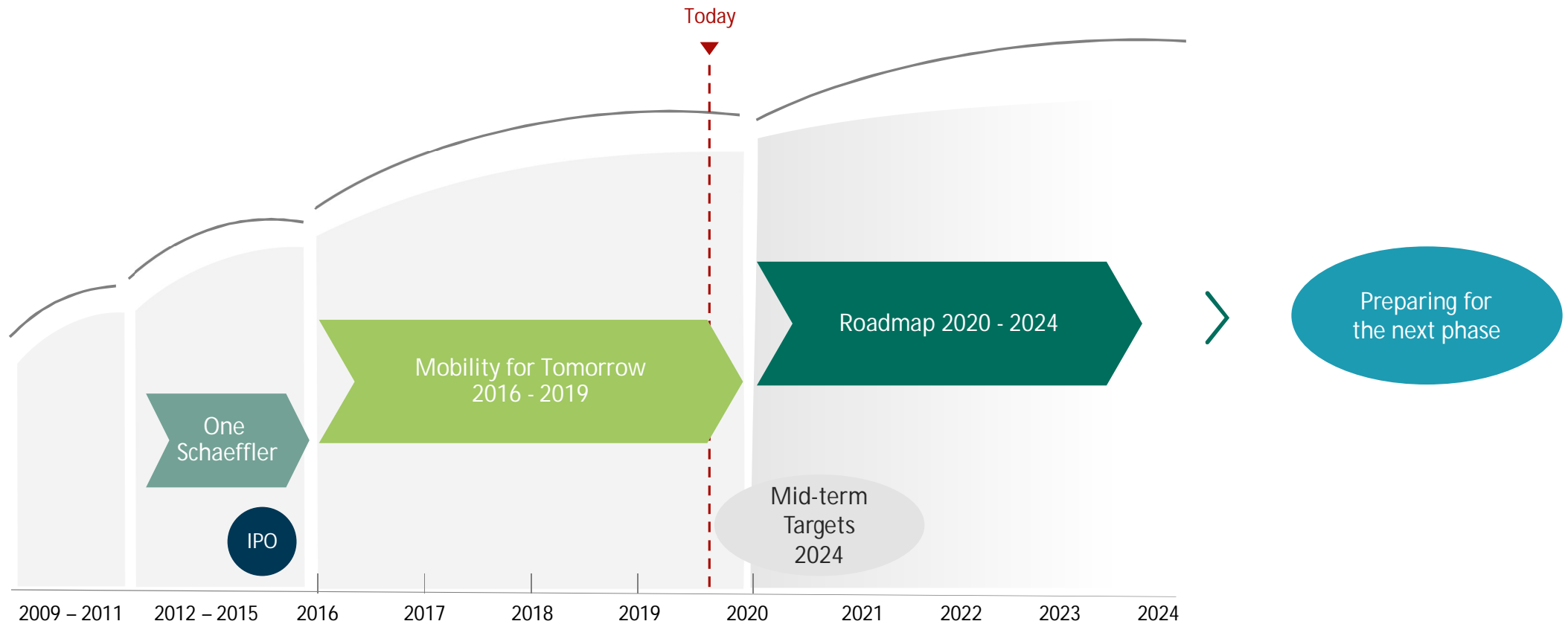
- 5 Leadership team completed, organization rewired – Increased performance orientation

- 6 Guidance FY 2019 confirmed – 2024 Mid-term Targets to be announced on March 24, 2020

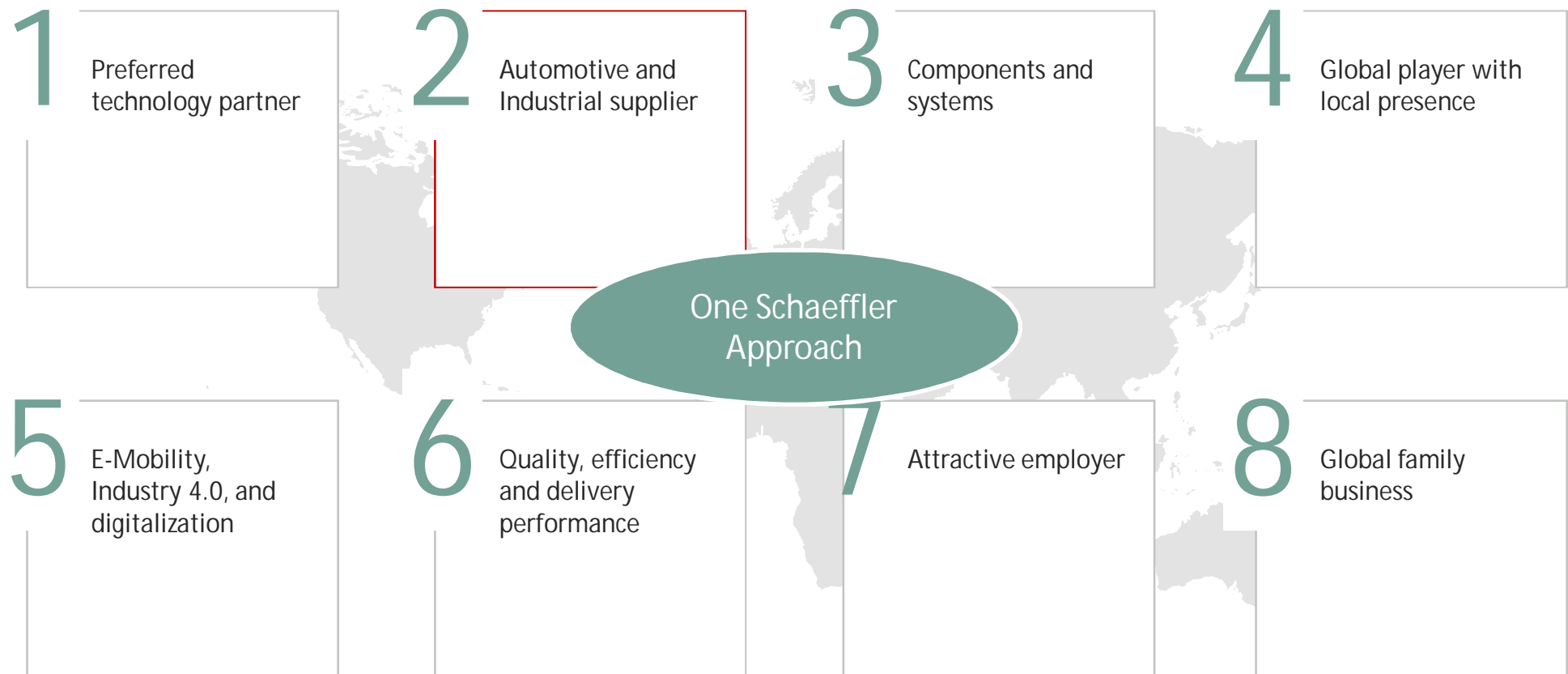
1 Environment remains challenging



1 Transformation continues

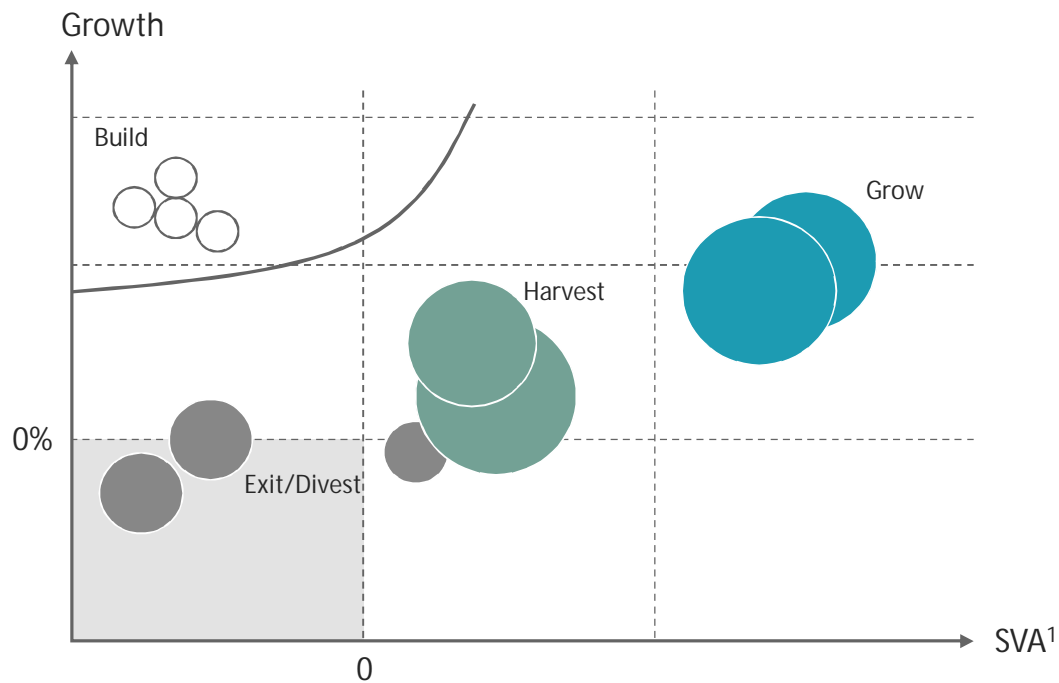


2 We remain an Automotive and Industrial Supplier



2 More focus on where to play and how to win

Portfolio Management Framework



1 Schaeffler Value Added

Key aspects

- More stringent Portfolio Management Framework
- 4 distinct portfolio strategies:
 - Ⓐ Build
 - Ⓑ Grow
 - Ⓒ Harvest
 - Ⓓ Exit/Divest
- Portfolio management strategies determine capital allocation and M&A execution

Driving a more compelling
and efficient use of resources

3 Capital Allocation Framework strengthened

Capex for organic growth

Capex categories Portfolio strategies		1 Growth ¹	2 Rationa- lization	3 Main- tenance	4 Safety and regulatory	Total
A	Build	✓✓			✓	
B	Grow	✓✓✓	✓✓	✓	✓	
C	Harvest		✓✓	✓	✓	
D	Exit/Divest			✓	✓	
Total						Total Capex

Key aspects

- Total Capex on Group level determined by using reinvestment rate logic
- 4 portfolio strategies drive capital allocation
- 4 different Capex categories determining the capital allocation amounts

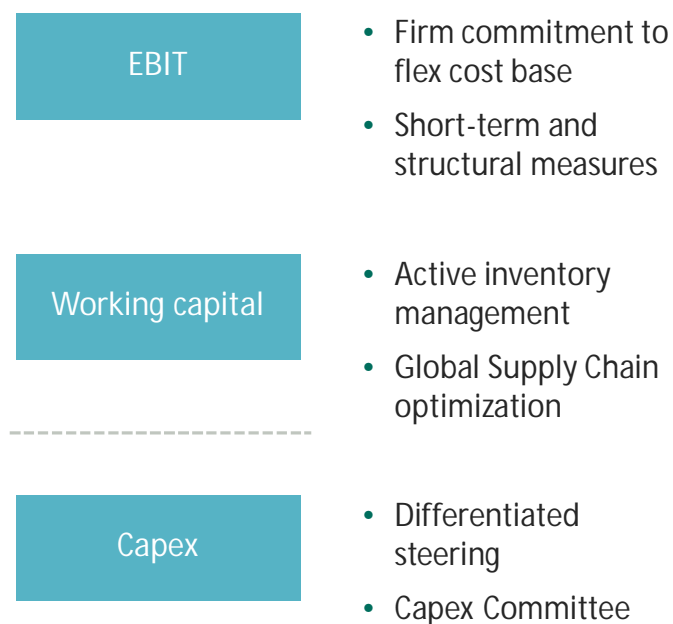


Ensuring a more
consistent capital allocation

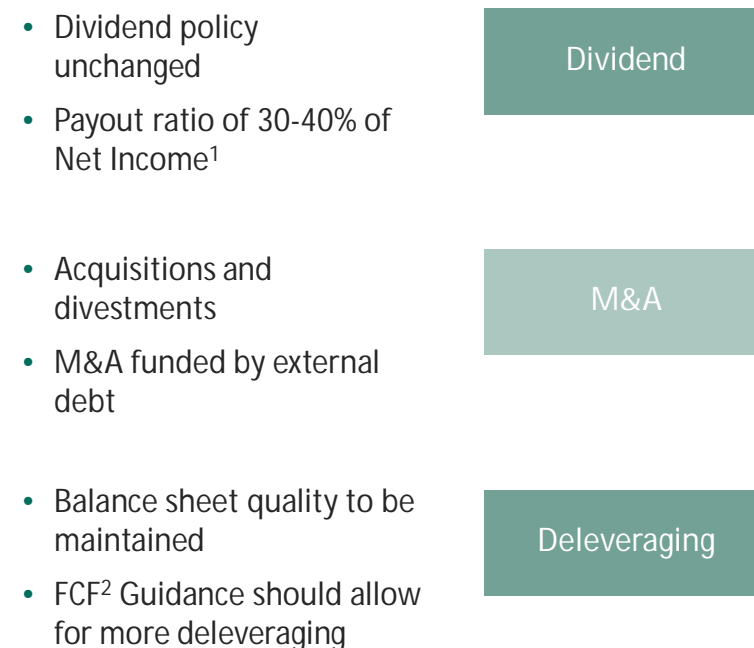
¹ Capacity expansion and new products

3 Cash generation and compelling usage of cash remain key

Generation of Cash



Usage of Cash



¹ Before special items | ² Before cash in- and outflows for M&A activities

4 Mobility for tomorrow 2016-2019 – Laying the foundations

Dealing with a high level of complexity

- Many different businesses, landscape grown over time
- Resulting in high level of manufacturing interdependencies
- Need to digest high historical Capex
- Not differentiated enough steering

Re-shape the organisation

- Visions & Values introduced
- One Schaeffler established
- Schaeffler Group organized into 3 divisions
- BCT internal manufacturing unit dissolved

Nurture Top Line Growth

- Extend Components into Systems
- Vision Powertrain and Vision Chassis Mechatronics created
- E-Mobility Business Division launched
- Selected bolt-on Acquisitions closed

Re-allocate resources

- First large-scale restructuring CORE I and II in Industrial
- Address over-proportional Capex
- Refocus broad-based R&D activities

Agenda 4 plus One 20 initiatives, among which:

- | | | |
|-----------------------|--------------------|------------------------|
| • Customer Excellence | • CORE I and II | • Factory for Tomorrow |
| • E-Mobility | • Global Footprint | • AKO |
| • Industry 4.0 | • Shared Services | • IT 2020 |
| • Global Branding | • Working Capital | • Digital Agenda |

4 Strategic Roadmap 2020-2024 – Getting ahead of the curve

Embracing the new market reality

- Prepare for tougher market conditions
- Harness positive secular trends in all 3 Divisions
- Strongly differentiate steering with Portfolio logic
- Leverage existing technology excellence and build on it
- Boost productivity, foster higher performance mindset

Foster Top Line Growth

- Focus on organic growth based on portfolio strategies
- Continued execution on our M&A strategy

More stringent resource allocation

- Enforce stricter Capex allocation
- Market-oriented R&D for innovation and efficiency

Increase efficiency

- Further streamline the organizational structure
- Right-size global footprint

1

Automotive OEM
Division – Program RACE

2

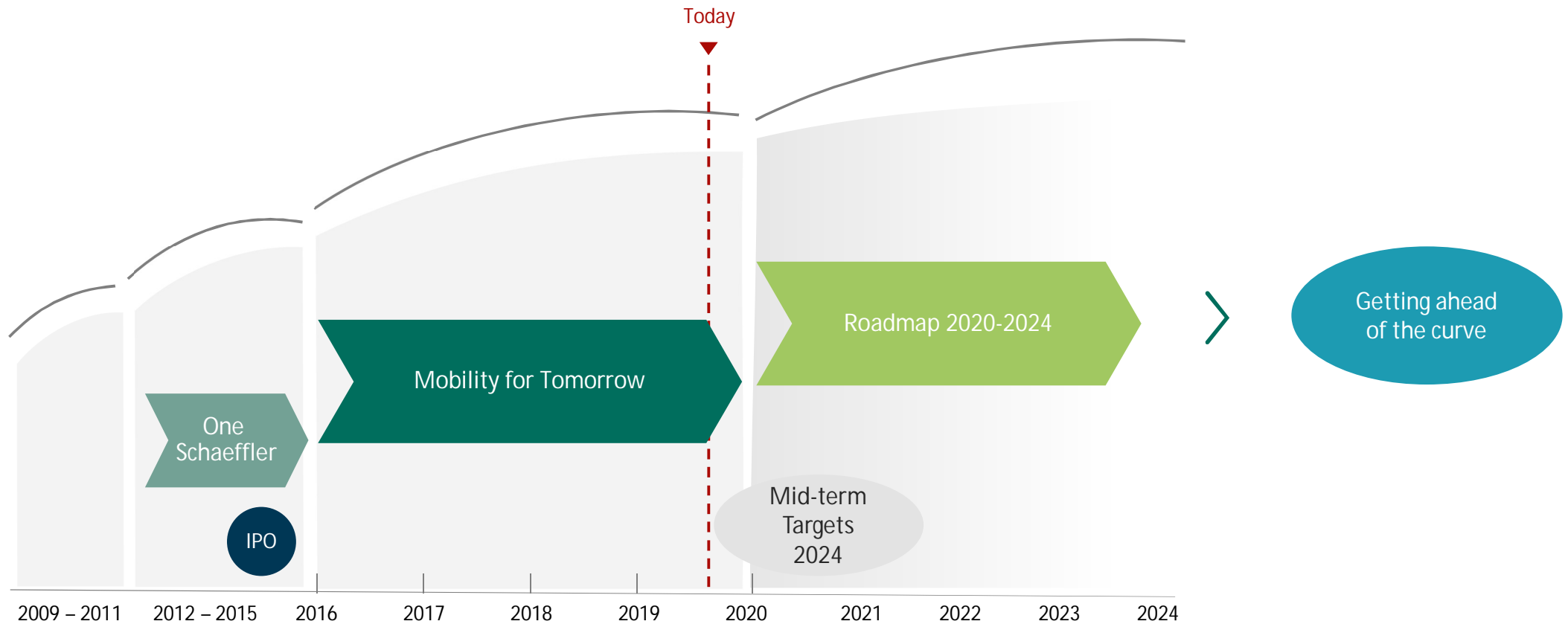
Automotive Aftermarket
Division – Program GRIP

3

Industrial
Division – Program FIT

Cross-divisional initiatives

4 Schaeffler Group 2009-2024 – Transformation continues



5 Leadership team completed – Increasing performance orientation

Board of Managing Directors

CEO Schaeffler Group



Klaus Rosenfeld
CFO

CEO Automotive OEM



Matthias Zink
CHRO

CEO Automotive Aftermarket



Michael Söding
COO

CEO Industrial



Stefan Spindler
CTO



Finalizing and delivering
our Strategic Roadmap
2020-2024



Dietmar Heinrich



Corinna Schittenhelm



Andreas Schick



Uwe Wagner

+ 4 Regional CEOs

2

Automotive OEM – Shaping the future in a more complex market

Matthias Zink, CEO Automotive OEM

Automotive OEM – Overview

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The Automotive OEM Division serves with a broad product portfolio along the entire powertrain and chassis

Engine Systems

31% of Automotive OEM sales in 2018

- Valve train components & systems
- Variable camshaft timer
- Belt & chain drive systems
- Thermal management module

- Chassis bearings
- Wheel bearings
- Active mechatronic roll control
- Ball screw drives for steering systems
- Drive-by-Wire-Technology

Chassis Systems

17% of Automotive OEM sales in 2018

Transmission Systems

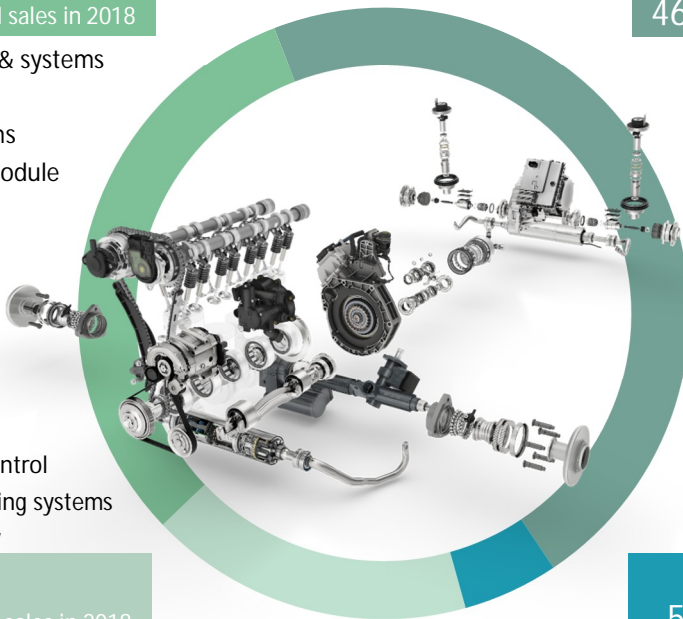
46% of Automotive OEM sales in 2018

- Clutch Systems, E-clutches
- Damping technologies (e.g. dual mass flywheel)
- Double-clutch systems
- Torque converter
- Transmission bearings

- E-Axles
- Hybrid modules
- Actuators
- CVT- and DCT-technologies
- Electric motors

E-Mobility

5% of Automotive OEM sales in 2018

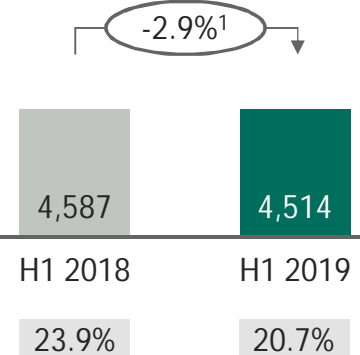


¹ FX-adjusted | ² Before special items

Sales
in EUR mn

63% of
Group sales

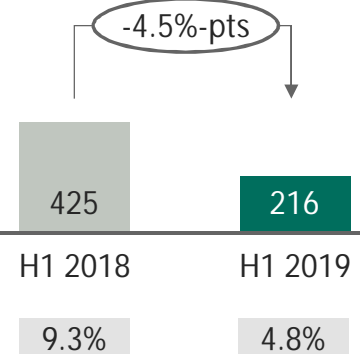
Gross profit
margin



EBIT²
in EUR mn

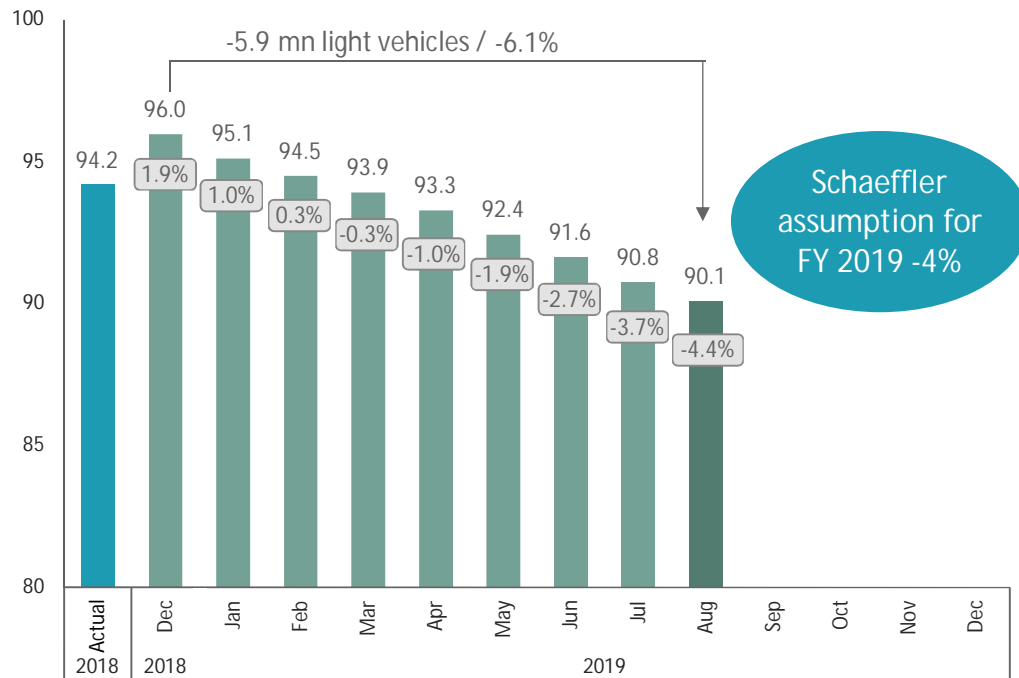
39% of
Group EBIT

EBIT margin²



Challenging market environment

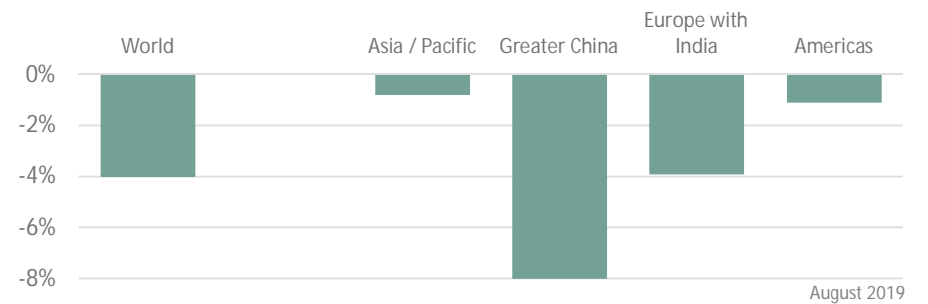
IHS Light Vehicle Production Forecast 2019
Light Vehicle Production in Million Units



Key aspects

- Currently uncertain and volatile market environment
- Continuously declining growth and forecast adjustments in main markets since H2 2018

Schaeffler regional production growth rate assumptions 2019 vs. 2018



Key automotive trends: Paradigm change and market uncertainty

Electrification / CO₂ Reduction

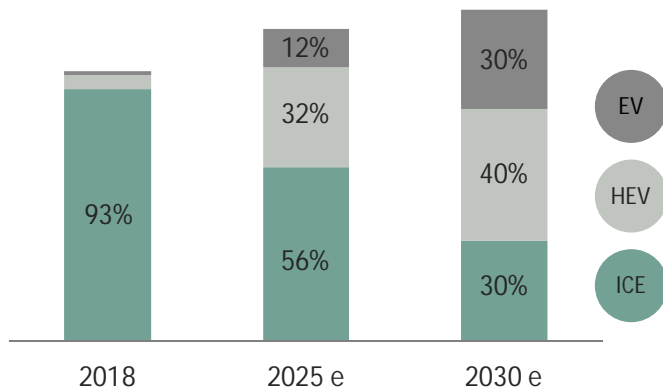
Trends / Influencing factors:

- Global Regulations
- Increasing Urbanization
- Environmental Awareness



Vision Powertrain

Global Automotive Production



Challenging Market Environment

Influencing factors:

- Trade environment
- Competitive environment
- End-customers uncertainty



Autonomous Driving

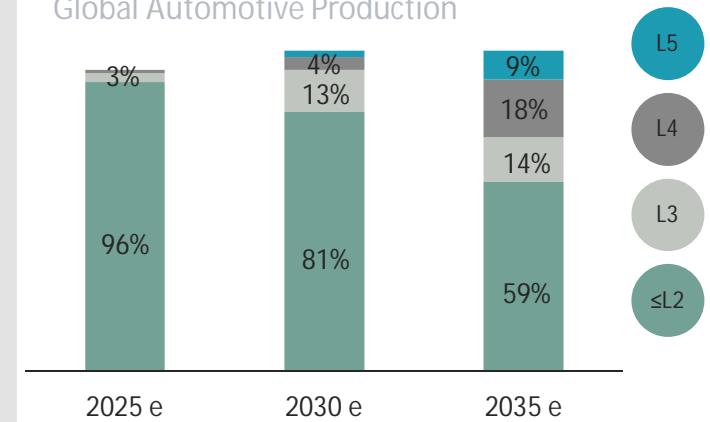
Trends / Influencing factors:

- Digitalization
- Growing Sharing Economy



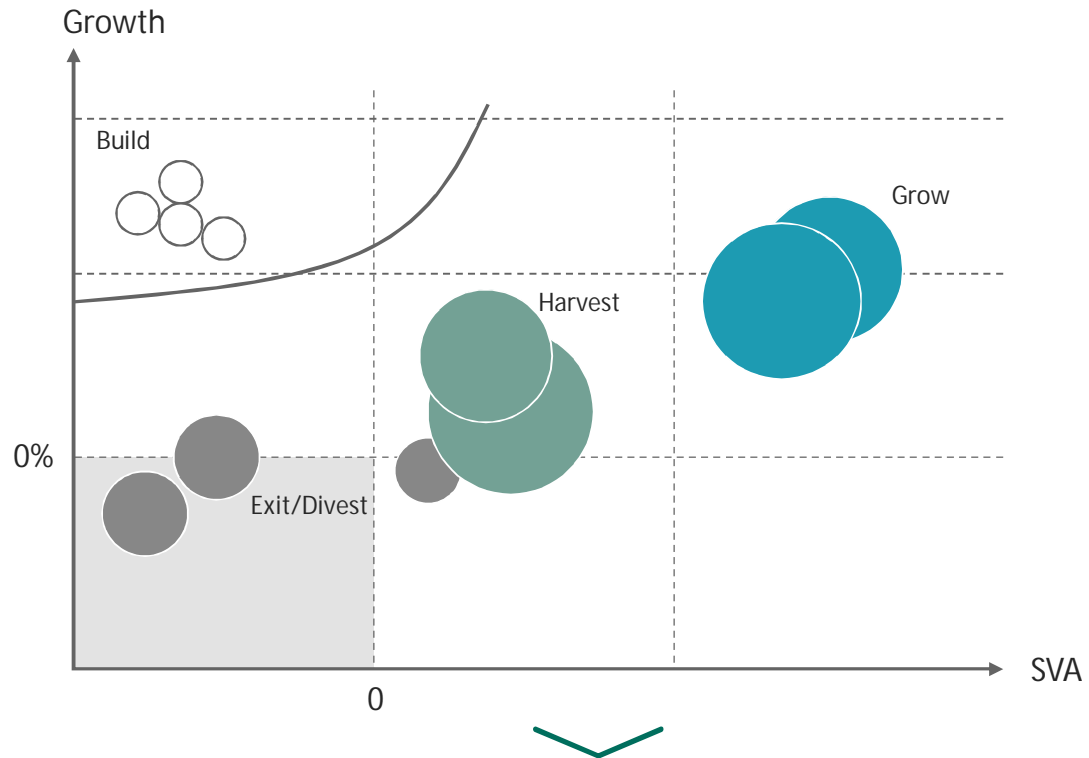
Vision Intelligent and Connected Vehicles

Global Automotive Production



Source: IHS Autonomy and McKinsey / Values based on light vehicles < 6 tons only

How we shape our Automotive OEM portfolio

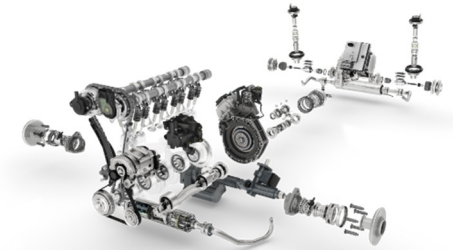


Ensure efficiency and optimize the portfolio
in a volatile market environment

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Automotive OEM Business Divisions

- Engine Systems
- Transmission
- E-Mobility
- Chassis Systems



Recent acquisitions

ELMOTEC **STATOMAT**



SCHAEFFLER
PARAVAN

XTRONIC

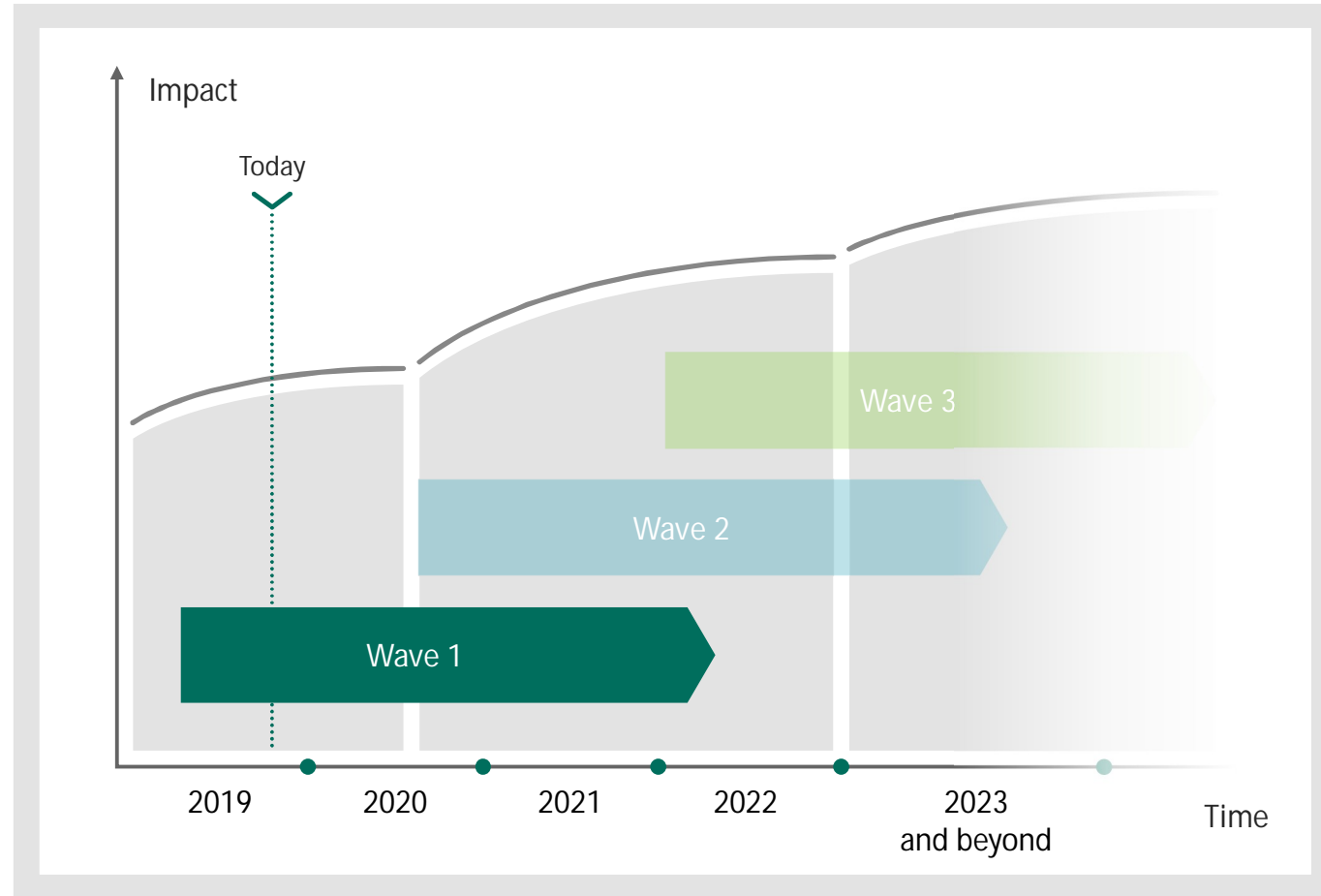


Program RACE – Flexible response to market environment

Program RACE
Regroup Automotive for higher
Margin and Capital Efficiency

Key Targets

- 1 Global Footprint
- 2 Cost efficiency
- 3 Portfolio adjustment
- 4 R&D efficiency
- 5 Capital efficiency
- 6 Order Intake



Program RACE – Good progress on Wave 1

Wave 1 – Levers and Targets

1	Footprint Europe	Consolidate up to 5 Automotive plant locations in Europe
2	Cost efficiency	Reduce around 900 jobs, thereof around 700 in Germany
3	Portfolio adjustment	Exit/Divest selected non-core businesses in particular within Business Divisions Engine/Transmission systems and reinvest proceeds in strategic growth areas
4	R&D prioritization	R&D/sales ratio for Automotive OEM to be restricted to 8.0% - 8.5% in 2019 and 2020 with ongoing shift towards strategic growth areas
5	Capital efficiency	Reduce Capex to below EUR 900 mn ¹ p.a. for Automotive OEM and strengthen capital discipline
6	Order intake	Increase order intake in E-Mobility and Chassis Mechatronics by EUR 1.5 - 2.0 bn p.a. in the next 3 years

¹ Including allocated Capex

Achievements (YTD)

- Plant consolidation in Europe
2 out of 5 implemented
- 250 HCO reduced in Europe
- Exit/Divestment businesses identified
- Reduced number of R&D projects,
R&D limitation in non-strategic growth areas
- Capex Committee steering capital allocation
- Order intake YTD already well in target corridor of EUR 1.5 - 2.0 bn

Status

on track

on track

ongoing



Divisional FY Guidance and current trading development

Divisional Guidance

	Actuals FY 2018	Actuals H1 2019	Guidance FY 2019
Sales growth ¹	+2.1%	-2.9%	-2 - 0%
Absolute figure	EUR 8,997 mn	EUR 4,514 mn	-
EBIT margin ²	7.7%	4.8%	5 - 6%
Absolute figure	EUR 693 mn	EUR 216 mn	-

¹ FX-adjusted | ² Before special items

Current trading – Top line trends July and August 2019



Continued weakness in Automotive OEM business in Europe



Region China still impacted by trade disputes, new regulations and overall economic development. However, August sales positively influenced by OEM restocking

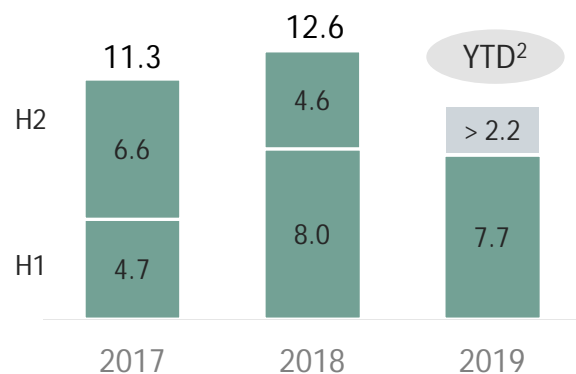


Region Americas with continued solid growth development

Healthy Book to Bill ratio across the portfolio

Automotive OEM Order Intake¹

in bn EUR



Book to Bill Ratio³

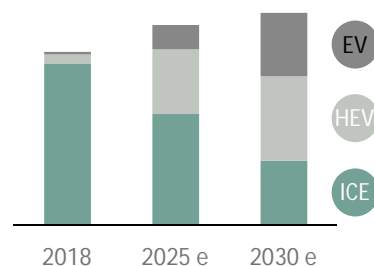
H2	1.5x	1.1x	-
H1	1.1x	1.7x	1.8x
FY	1.3x	1.4x	-

Book to Bill Ratio³ H1 2019

E-Mobility	4.7x	↑
Engine Systems	2.2x	↑
Transmission	1.2x	→
Chassis Systems	1.3x	→

Vision Powertrain

Global Automotive Production



Major Contract wins YTD 2019⁴

Successful penetration of E-Mobility market with innovative Schaeffler products

E-Axle 2-in1-System

- 1-speed E-Axle Transmission with E-Motor integration

E-Motor Components

- Stator and rotor for induction and synchronous E-Motors
→ Extension of production footprint in Eastern Europe

P2 Hybrid Module

- P2 Hybrid Module with integrated E-Motor

Hybrid Module for DHT application

- Hybrid Module with Schaeffler E-Motor design

→ Order intake YTD² already well in RACE target corridor of EUR 1.5 - 2.0 bn with products for HEV and BEV



Promising and healthy Engine business

Engine Components

- Finger Follower
- Electric Cam Phaser
- Thermal Management
- Various nominations



¹ Received orders in given time period | ² Order Intake as of August 2019 | ³ Lifetime Sales / Current period revenue

⁴ Pictures are representative only & can deviate from specific customer project in terms of scope of delivery & technical details

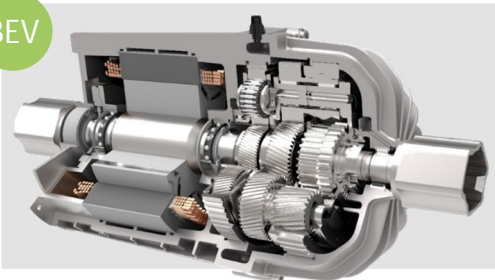
2.1 E-Mobility – Delivering on our BEV and HEV targets

Dr. Jochen Schröder, President E-Mobility

Successful acquisition of new projects with innovative products for Hybrids and Electric Vehicles

Successful order intake for E-Mobility in YTD 2019¹

BEV



E-Axle 2-in-1 system

- Scope of delivery: 1-speed E-Axle transmission, E-Motor integration, housing & cooling
- SOP 2021 / China

BEV



1st E-Motor project

- Scope of delivery: rotor & stator components for induction and synchronous E-Motors
- SOP 2021 / global

HEV



P2 Hybrid Module

- Scope of delivery: P2 Hybrid Module, E-Motor integration, dry clutch, actuation system
- SOP 2021 / China

HEV



Hybrid module for DHT application

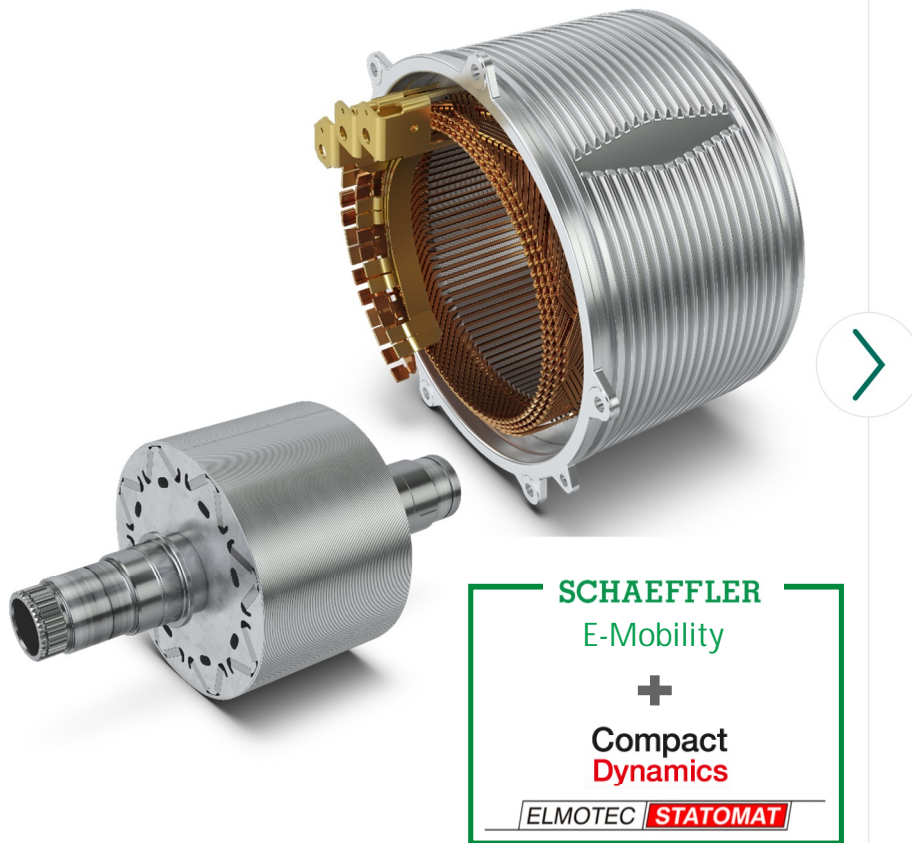
- Scope of delivery: E-Motor designed by Schaeffler, double wet clutch
- SOP 2022 / global



Order intake YTD already well in RACE target corridor of EUR 1.5 - 2.0 bn

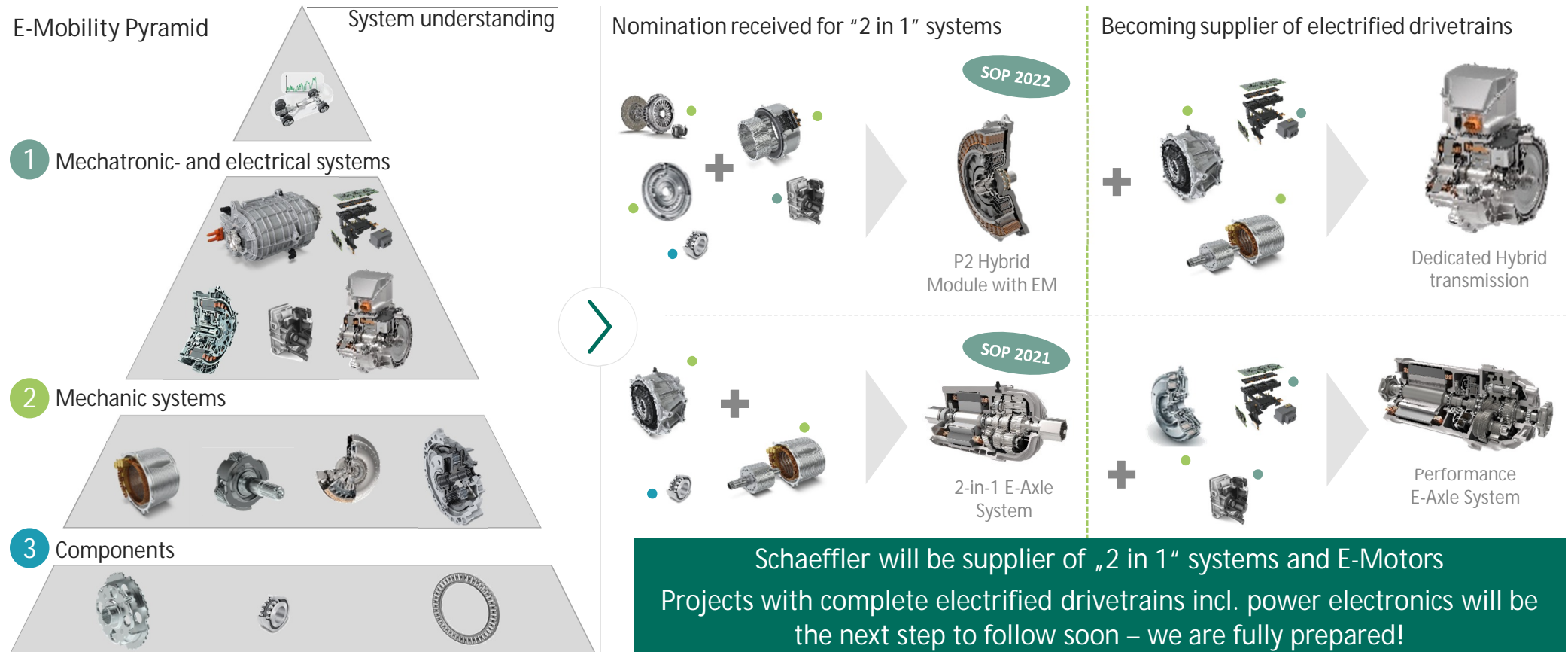
¹ Pictures are representative only and deviate from real customer projects in terms of scope of delivery & technical details

E-Motor – We have delivered on what we promised at the CMD 2018



- 1 Consistently closed last production technology gaps through acquisition of Elmotec Statomat, a specialist and technology leader for mass production machines for stators & winding technology
- 2 The E-Motors development and industrialisation is based on our outstanding know-how and experience in the profitable production of high quality mechanical products and leading technology
- 3 First E-Motor project nomination with order intake volume > 1 bn EUR over lifetime for a BEV application of an well-established OEM
- 4 Nomination received for a Hybrid Module for a DHT application including an E-Motor designed and produced by Schaeffler
- 5 We are pushing E-Motor technology further forward, by strong innovations based on our deep technology know-how at Schaeffler with Compact Dynamics and Elmotec Statomat

We consistently walk our strategic path to be a major supplier of electrified drivetrains



- 1 Order intake YTD already well in EUR 1.5-2.0 bn target corridor

- 2 First E-Motor projects won. We develop the next generation E-Motor by leveraging internal expertise and recent acquisitions

- 3 Making efficient use of existing Capex and incrementally invest in new business fields
All resources and competences for successful transformation towards electrification in place

- 4 Going forward, we build upon our deep component and drivetrain system expertise to shape our portfolio and deliver outstanding and differentiating solutions to our customers

Schaeffler E-Mobility strategy is materializing successfully

We will follow our strategic path to become the preferred supplier of electrified drivetrain systems & components for our customers

2.2 HEV Technology – Maximum benefit, minimum space

Patrick Lindemann, President Transmission Systems & E-Mobility Americas

Schaeffler Hybrid Module Solution: Maximum benefit, minimum space!

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Solution

- Utilize existing investment - Ford and Schaeffler
 - Ford produces ~3 million automatic transmissions
- Create a flexible modular approach
- Minimize vehicle platform changes
- Provide fun-to-drive and increase functionality

How? Build on Ford and Schaeffler powertrain partnership



Torque Converter
(~900 patents)

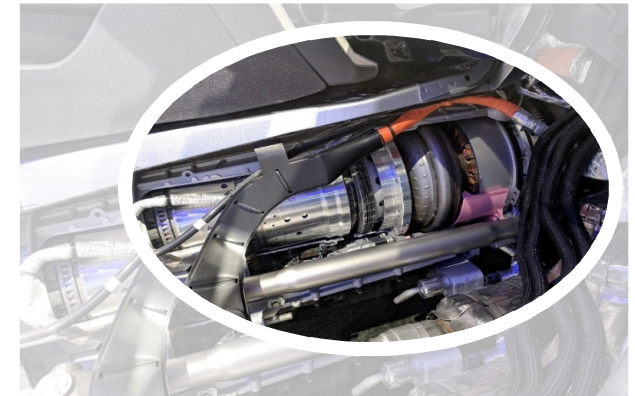


Electric Motor



Hybrid Module

Ford Explorer Powertrain Cut-away



Fun-to-drive

- 75 kW of additional power
- 300 Nm of torque

Full Hybrid functionality

- PHEV / FHEV
- Electric, boosted, regenerative driving
- Fuel economy improvement



Schaeffler USP: only requires 16 cm of space and utilizes existing Schaeffler and Ford investment

2.2 HEV Technology

Long-term strategic partnership

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NAIAS 2019 Ford booth photograph

Why Schaeffler?

- Partnership: for over three decades Ford and Schaeffler have jointly launched numerous industry-changing technologies
- Innovation: Schaeffler has approximately 800 Hybrid Module patents

Why Buy?

- Fun-to-drive
- Improved acceleration
- More environmentally friendly
- Increased driving range
- Increased towing capacity
- Cost of ownership reduction

Hybrid solution with significant Schaeffler value increase

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Transmission 6R80 (6 speed) 2017



Bearings



Torque Converter

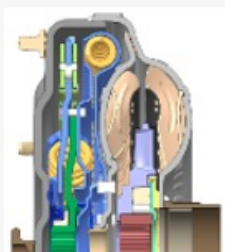
Transmission 10R80 (10 speed) 2018



Bearings



One Way Clutch



Torque Converter

75

Schaeffler components

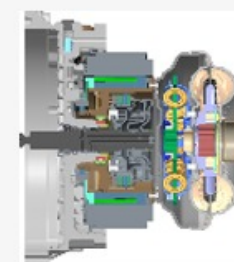
Transmission 10RMHT 2019



Bearings



One Way Clutch



Integrated Hybrid Module with TC

106 without motor
211 with motor

Schaeffler components

Value Content

75% Increase

Value Content

~400% Increase

Utilizes existing human and equipment capital

Future potential

Market

- ~ 30 million globally produced automatic transmissions with torque converters
- P2 arrangement provides full Hybrid functionality
- P2 Module with automatic transmission permits AWD functionality, towing capability and low investment compared to dedicated Hybrid transmissions

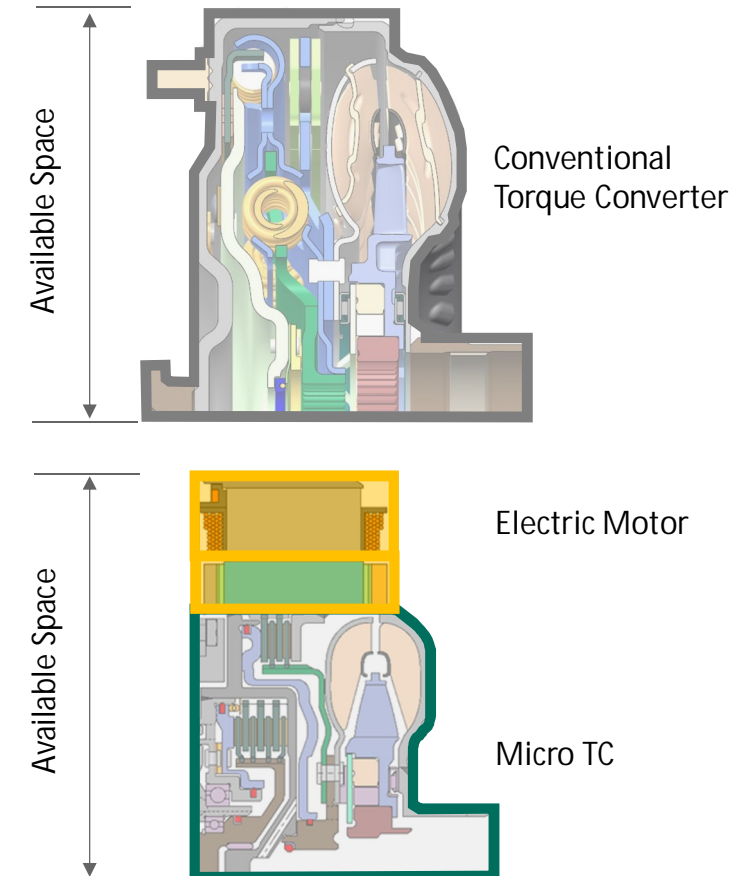
Challenge

- Module must package nearly within existing space

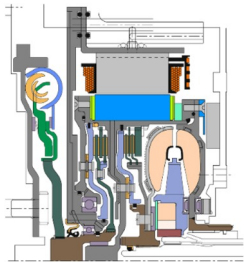
Schaeffler USP

Micro TC: Torque converter fits inside the electric motor

SCHAEFFLER



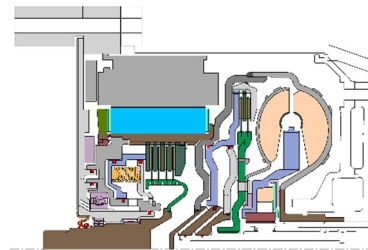
FWD / AWD Small SUVs and Passenger Cars



Hybrid Module with Micro TC



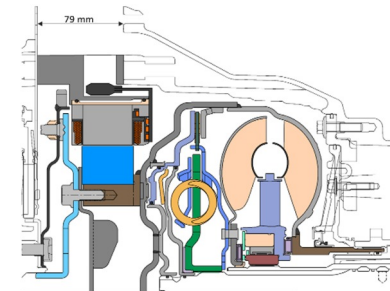
RWD SUVs & Light Trucks



Hybrid Module with TC



RWD Heavy & Medium Duty Truck



P1 Hybrid Module



Summary – HEV Technology

- 1 Schaeffler innovation enables cost effective hybridization – Successful project and partnership with Ford

- 2 Strong Hybrid product offering – Working with customers in US, China, Japan and Korea

- 3 Schaeffler content and value-add increases with Hybrid Module implementation – Solutions for compact cars through heavy duty trucks

- 4 30 million global automatic transmissions define a significant market potential

- 5 Strong customer interest – Multiple future project requests

Schaeffler viewed as preferred powertrain partner

Summary – Automotive OEM

- 1 Vision Powertrain and Vision ICV call for Active Portfolio Management in order to harness new growth opportunities and ensure differentiated steering as well as optimized allocation of resources
- 2 Uncertain challenging market environment requires step-up in efficiency and productivity
- 3 RACE program to foster top line, ensure improved efficiency of cost and capital thanks to portfolio approach
Progress Wave 1: Consolidation of Automotive plants in Europe started
- 4 Strong E-Mobility order intake with products for HEV and EV already in RACE target corridor of EUR 1.5 - 2.0 bn
- 5 Key to our successful project wins are our excellence in system understanding and our close customer proximity



Automotive OEM is shaping the future business in a more complex market environment

3

R&D –

The way forward in Innovation and Efficiency

Uwe Wagner, incoming CTO

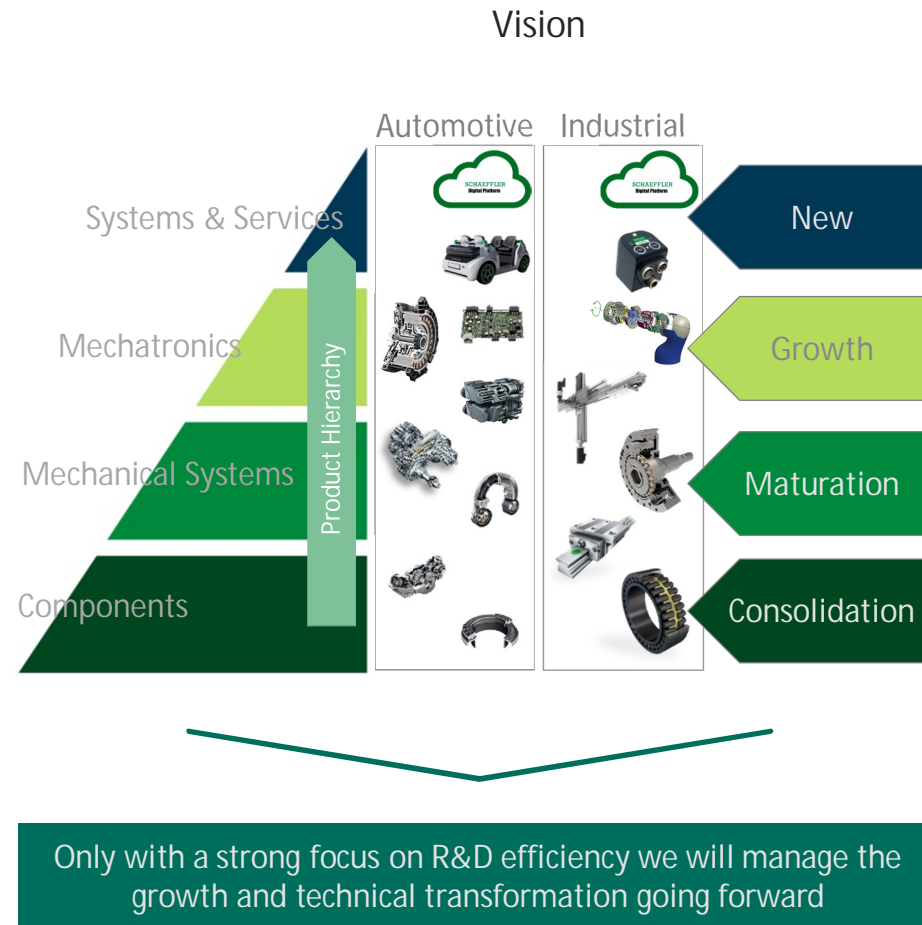
3 R&D

Introducing Uwe Wagner

SCHAEFFLER



- 26 years with Schaeffler
- Experience in industrialization of new products
- Leading R&D Automotive & Industrial



Key Success Factors in R&D

Innovation

Strong focus on innovation clusters in close alignment with the business strategies

Efficiency

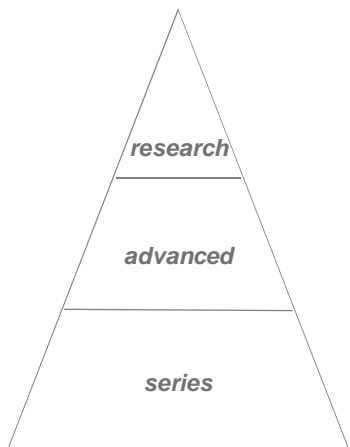
Cultural change from passion for technology to passion for technology & efficiency

New competencies

Transformation to a broader scope of know how with regards to systems, new technologies and processes

Key Success Factors – R&D Roadmap

R&D Pyramid



three-layer structure

Innovation

- Focused and agile research approach with cross functional project organization
- Consequent advanced project tracking for the transformation of research to business
- Quality focused management for series projects with a dedicated tracking of profitability

evidences of effectiveness

- A substantial part of future automotive & industrial business will come from E-Mobility, Chassis mechatronics and Industry 4.0

Efficiency

- Strong alignment of resource allocation in R&D with the business portfolio management
- Focused footprint and best cost country initiative
- Different programs for structural optimization to increase efficiency
- KPI tracking system for R&D efficiency

evidences of efficiency

- Underproportional CAGR of cost vs. headcount in the next years
- Major increase in structural efficiency

Technology and Processes

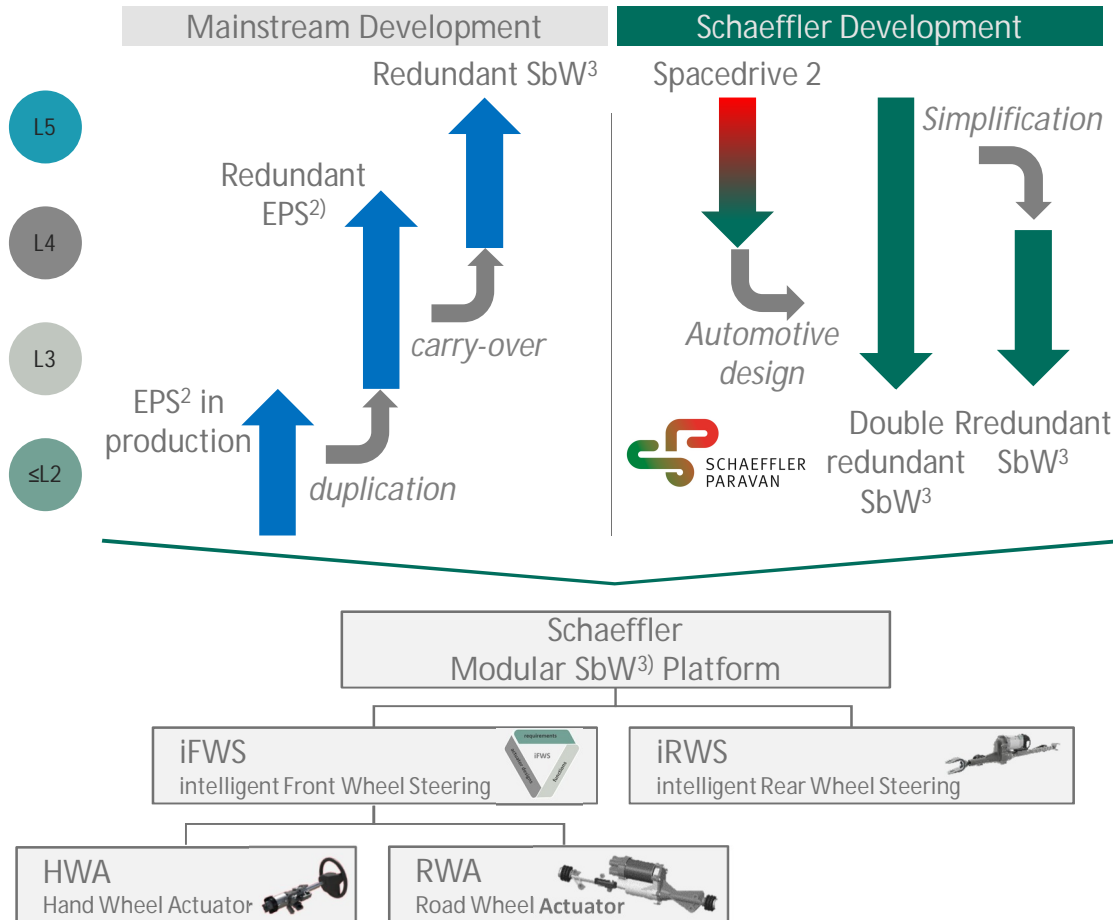
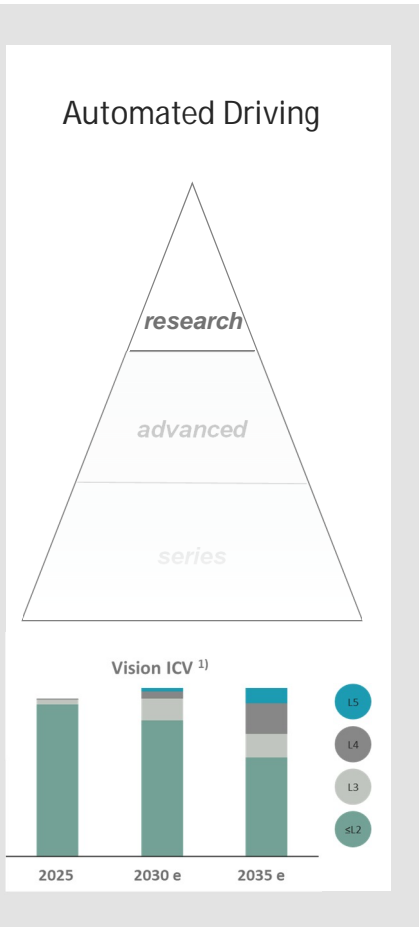
- Global network of competence in mechatronics with focus on an efficient structural balance
- “Fit4Mechatronics” training for the transformation of resources
- Strong process initiative to fulfill customer requirements in mechatronics
- Focused inorganic growth in strategic business fields

evidences of competence

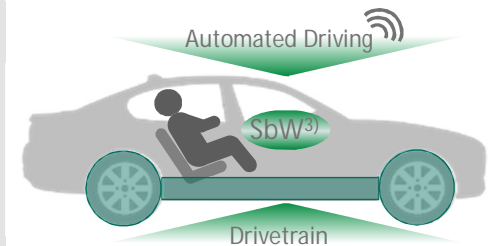
- Growing order intake in new technologies
- Various customers confirmed process capability for mechatronics
- Acquisition of XTRONIC

Innovation in Chassis Systems – Top Down Approach to Steer-by-Wire Technology

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Steer-by-Wire



Core Technology

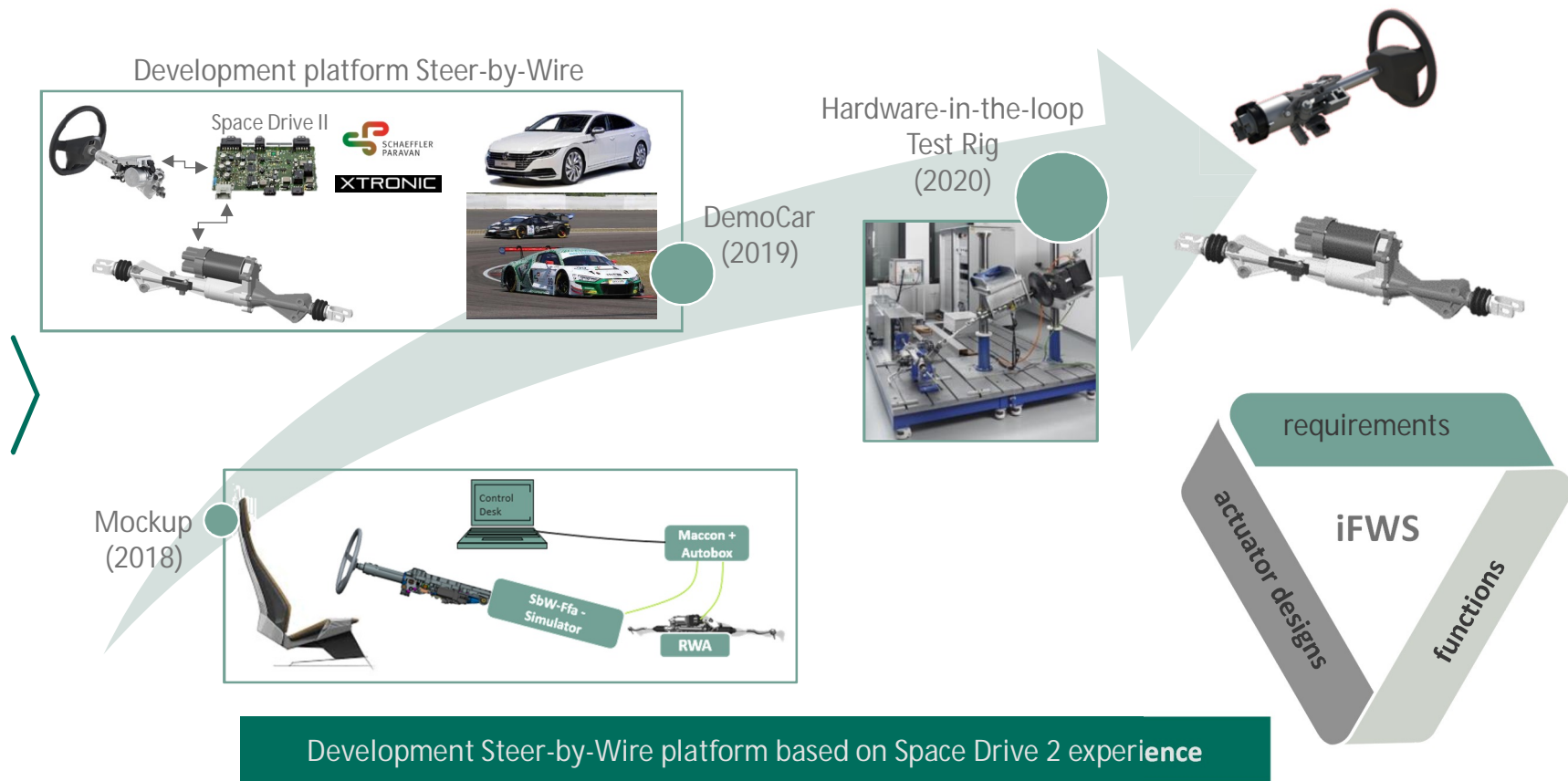
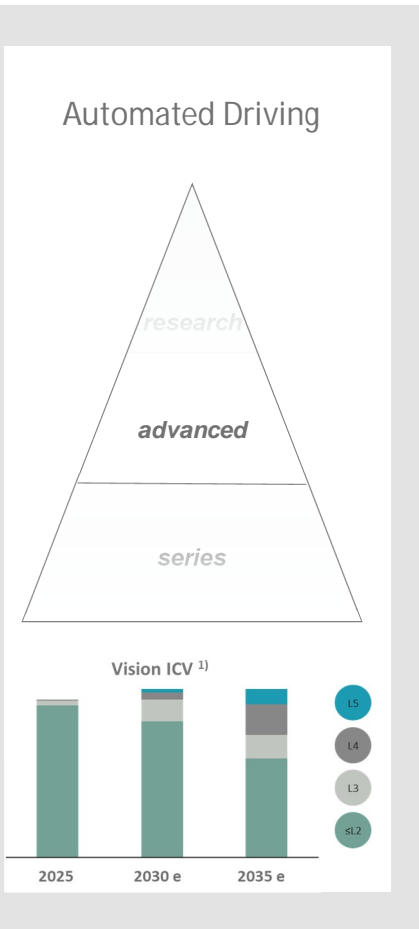
- Steer-by-Wire will play a key role for the Automated Driving
- Steer-by-Wire offers huge opportunities for new HMI-solutions

¹ Intelligent and connected vehicle

² Electronic Power Steering | ³ Steer-by-Wire

Intelligent Front Wheel Steering System – Accelerated Innovation

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- 1 Accelerated transfer of innovations to business by effective and agile advanced project tracking system

- 2 Increasing efficiency by allocation of R&D resources consistently in combination with structural measures, R&D global footprint and transparent performance tracking

- 3 Concentrated initiatives for new technologies and processes



The way forward in
Innovation and Efficiency

4

Automotive Aftermarket – Coping with structural changes to fund growth

Michael Söding, CEO Automotive Aftermarket

Automotive Aftermarket – Overview

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The AAM division manages its portfolio in four segments to meet market needs

Passenger Cars



Light Commercial Vehicles



Heavy Commercial Vehicles



Tractors & Agricultural Vehicles



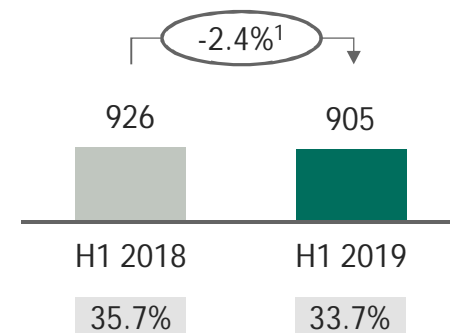
REXPART bundles Schaeffler's technical services offer for garages under one roof; whether the online portal, service hotline, installation instructions and videos, training seminars, or events.

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REXPART

Sales
in EUR mn

13% of
Group sales

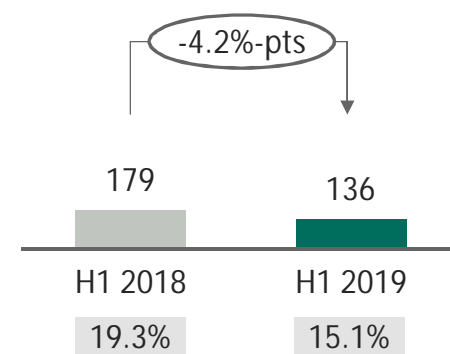
Gross profit
margin



EBIT²
in EUR mn

24% of
Group EBIT

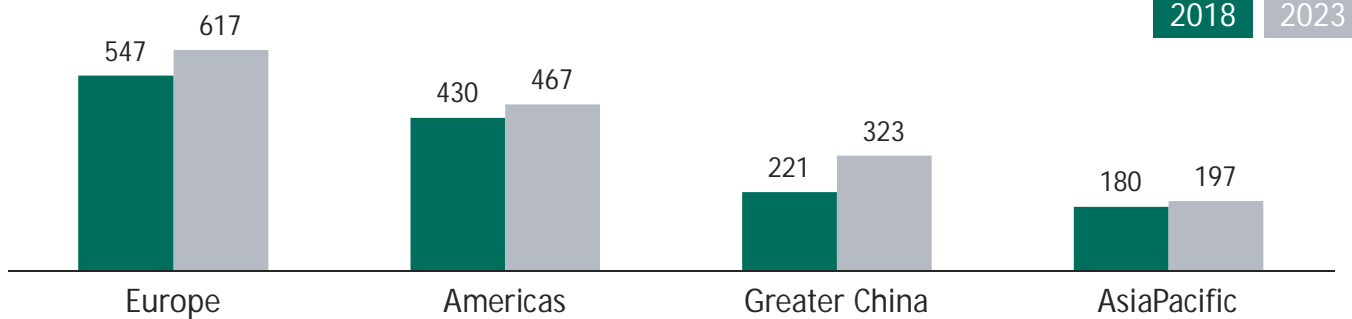
EBIT margin²



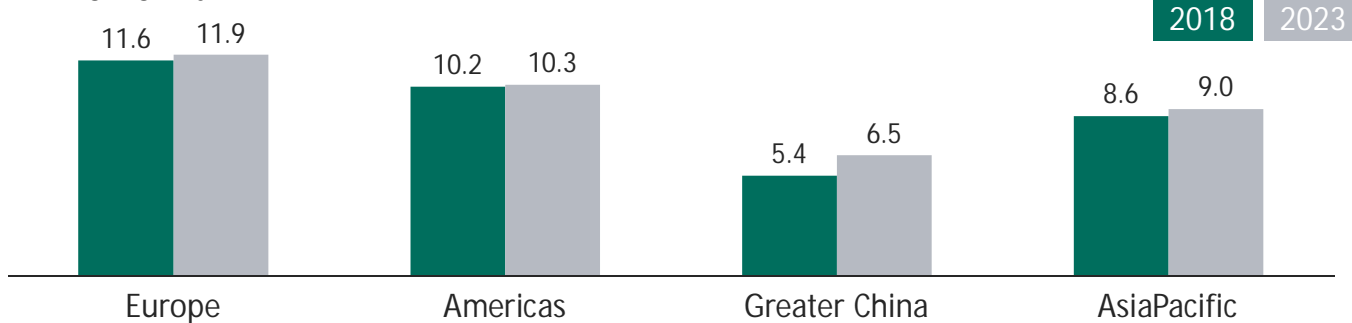
¹ FX-adjusted | ² Before special items

Secular growth drivers intact – Great potential in China

Vehicle population
Million units (PC/LCV)



Vehicle age
Average age in years (PC/LCV)



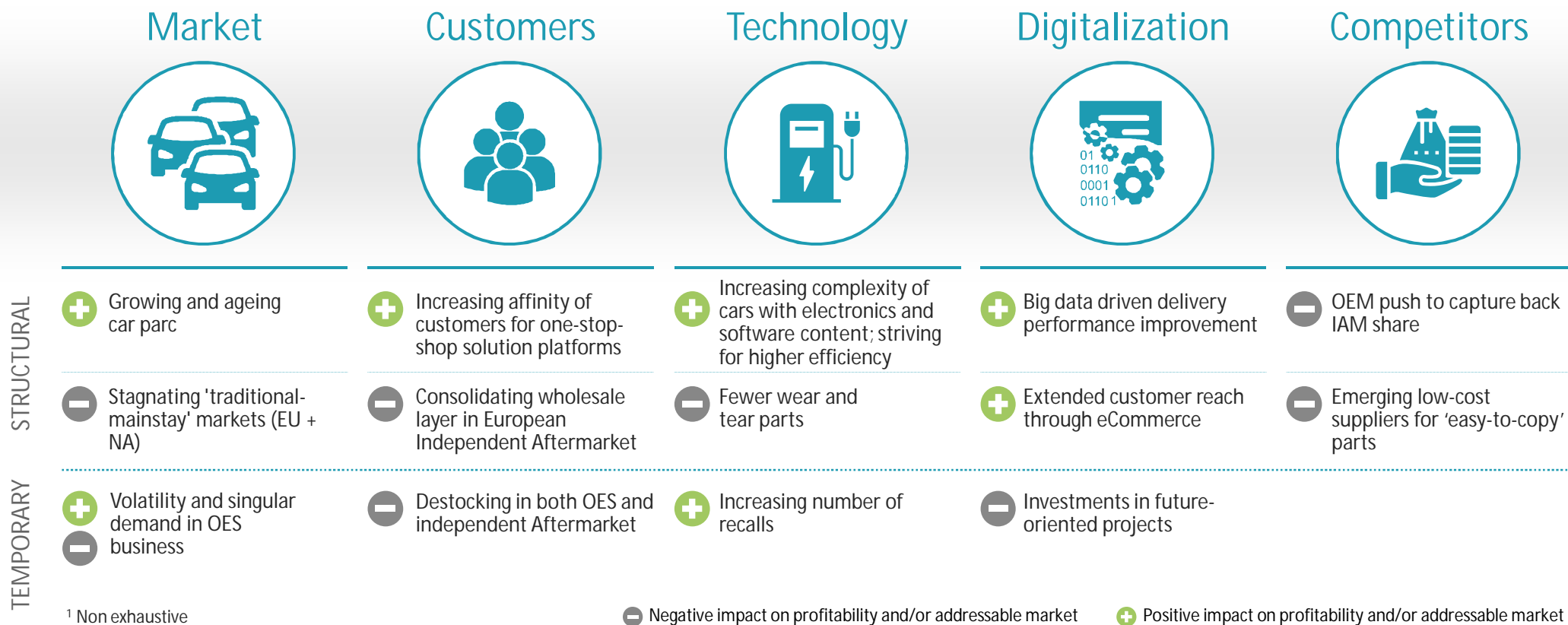
Key growth drivers

- Global vehicle fleet will grow at 3.1% CAGR 2018 - 2023
- Vehicle age will continue to grow, especially in China

Source: IHS August 2019

Current business under the influence of temporary and structural effects

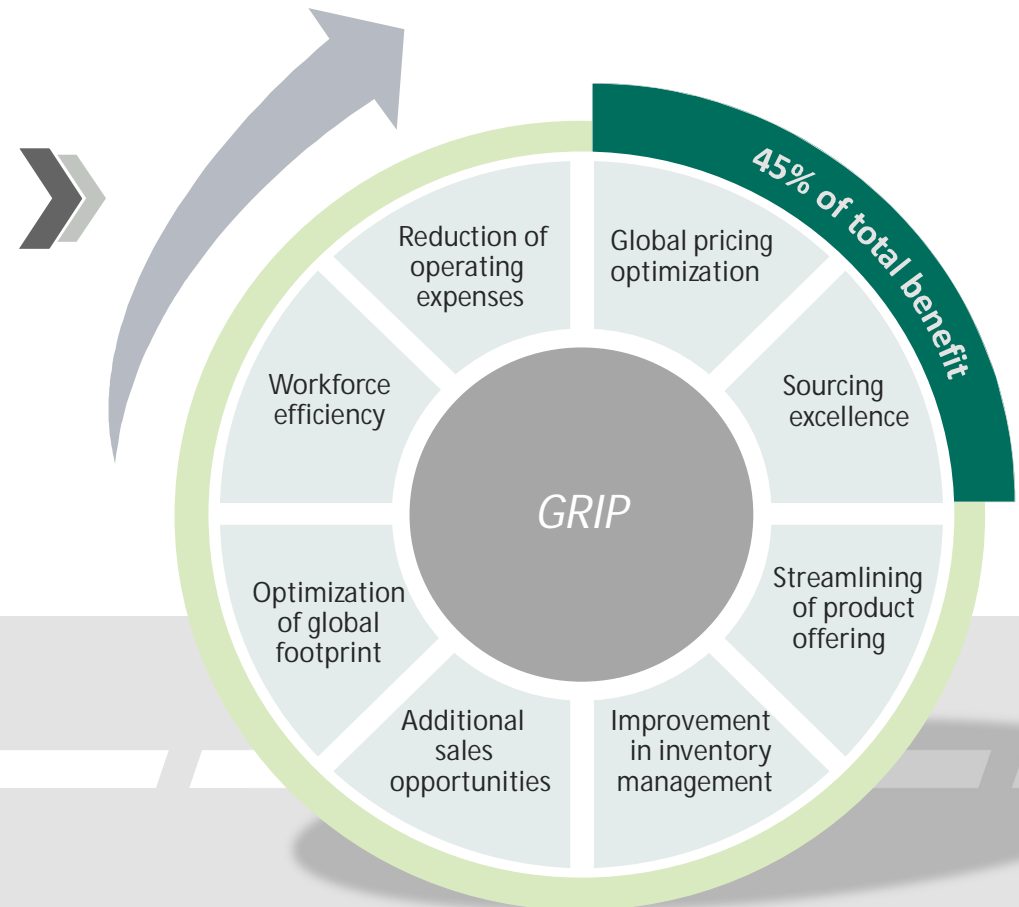
Key business drivers¹



GRIP – Performance program for Automotive Aftermarket

GRIP key levers and potential

- GRIP aims to safeguard profitability and drive incremental value in the area of capital allocation
- The program addresses potential benefits through 8 key levers, covering all business functions
- Benefits coming largely from global pricing optimization, e.g. price harmonization on product and customer level, and sourcing excellence, e.g. negotiation of sourcing conditions and best cost country sourcing



We are well underway in the implementation of our strategy



Customer Experience Improvement & eCommerce

- Optimization of customer-facing processes towards efficiency and customer experience
- Rolling out multichannel-eCommerce strategy by executing pilot projects globally
- Interconnection with customers' eco-systems
- Leverage latest digital technologies to develop new services and business models



Logistic Excellence and improved Working Capital

- In the Multi-Shuttle warehouse with integrated conveyor technology, up to 3,000 orders with more than 30,000 items per day will be processed in the future
- Good progress, start of operations planned for mid-2020



Divisional FY Guidance and current trading development

Divisional Guidance

	Actuals FY 2018	Actuals H1 2019	Guidance FY 2019
Sales growth ¹	+2.2%	-2.4%	-2 - 0%
Absolute figure	EUR 1,859 mn	EUR 905 mn	-
EBIT margin ²	17.0%	15.1%	15 - 16%
Absolute figure	EUR 316 mn	EUR 136 mn	-

¹ FX-adjusted | ² Before special items

Current trading – Top line trends July and August 2019



Sales channel Independent Aftermarket growing



Realized price increases show positive results



Customer consolidation in European Independent Aftermarket, leading to further destocking at the distributor level



Weak demand in OES business in Region Europe driven by continuous destocking

Summary – Automotive Aftermarket

- 1 The market environment in Europe remains challenging, driven by a mix of temporary and structural effects
- 2 The mid-term market outlook for the Automotive Aftermarket is positive due to the continuous growth in the global vehicle population and age, secular growth drivers intact
- 3 Current muted market development calls for implementation of self-help measures – We started GRIP in mid-2019; it targets 8 key levers with 45% of the benefits to come from global pricing optimization and sourcing excellence
- 4 We foster our business by investing in customer-facing excellence and more efficient logistics
- 5 We are progressing in the implementation of our global strategy to safeguard long-term profitable growth

Secular growth drivers intact – We are offsetting the adverse market conditions with Program GRIP

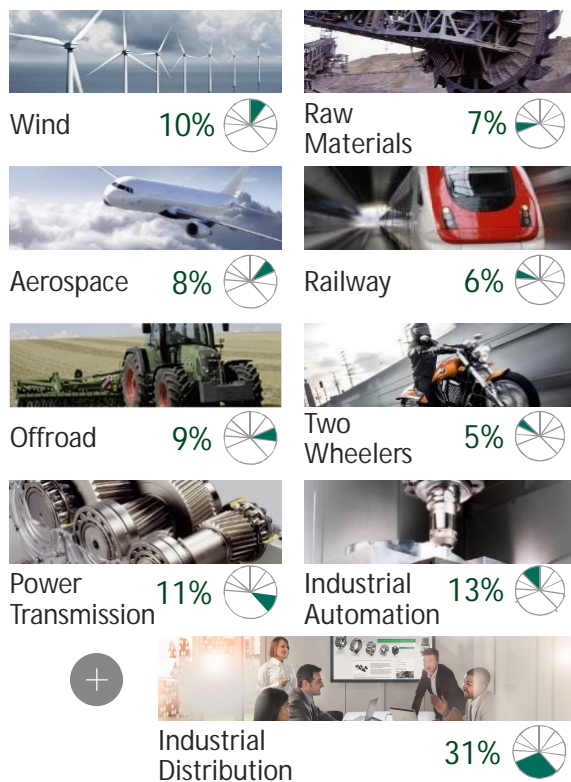
5 Industrial – Successful execution in a more challenging environment

Stefan Spindler, CEO Industrial

5 Industrial Industrial – Overview

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Customer segments | Sector Clusters¹



Products¹

Industry 4.0 services



Mechatronics



Mechanical Systems



Components



New business (Industry 4.0)



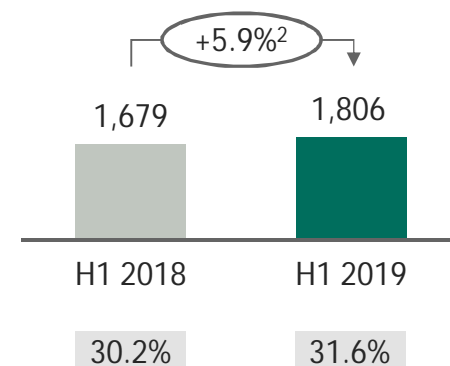
Existing business



Sales in EUR mn

25% of
Group sales

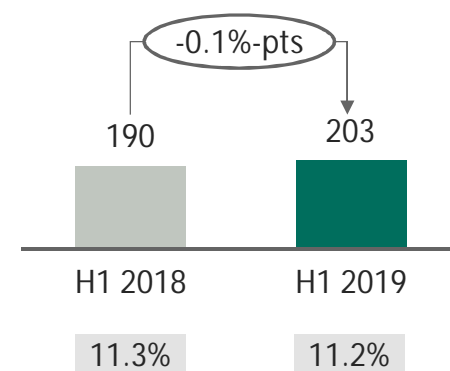
Gross profit margin



EBIT³ in EUR mn

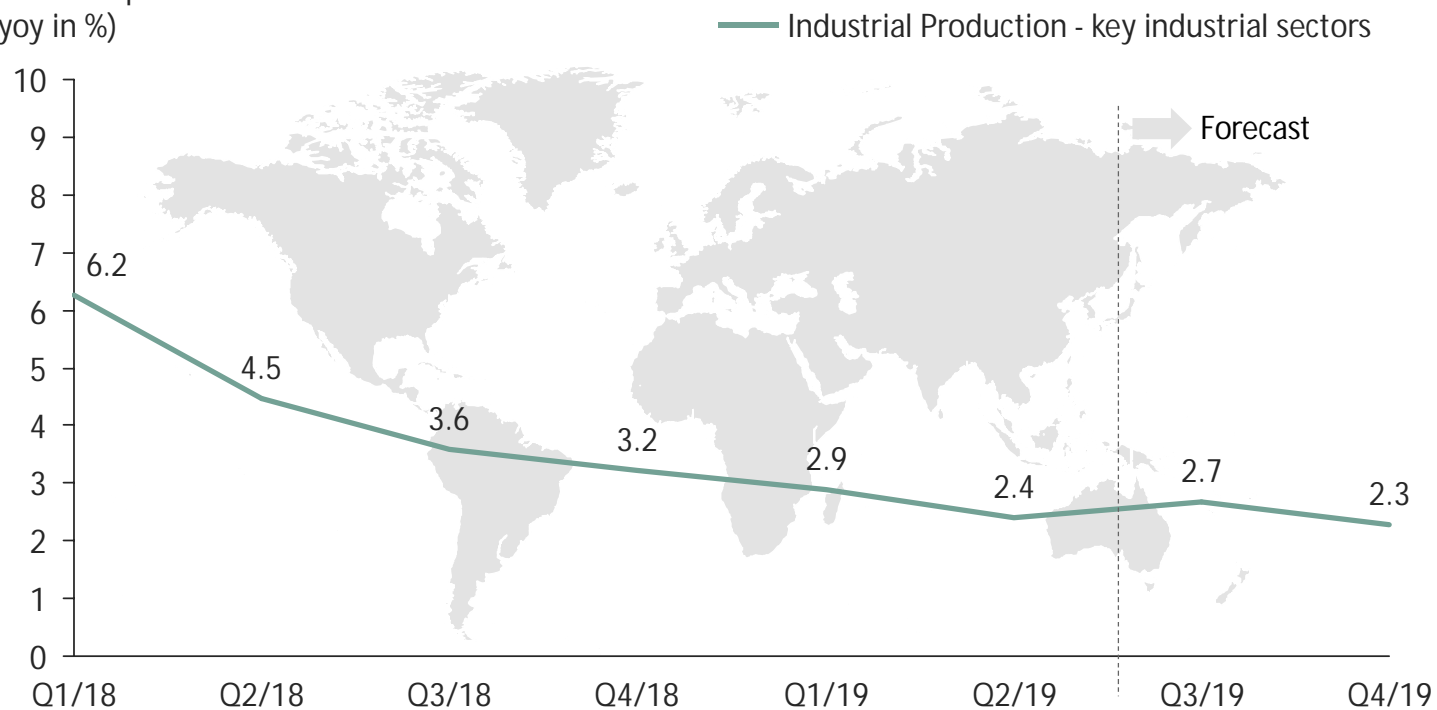
37% of
Group EBIT

EBIT margin³



¹ Product sales 2018 | ² FX-adjusted | ³ Before special items

Macroeconomic environment 2019

Industrial production 2018-2019¹
(yoy in %)

Economic growth

- Strong growth in 2018 but slowing momentum in 2019
- Ongoing political uncertainty (trade conflict, Brexit) drags global growth
- J.P. Morgan Global Manufacturing PMI below growth level of 50 points in August
- World machinery sales forecast 2019 by VDMA³ was cut to +1%²

¹ Source: Oxford Economics, Industrial Production (Gross Value Added) of the sectors mechanical engineering, transport equipment (excl. automotive) and electrical equipment (June 2019)

² Status July 2019 | ³ Verband Deutscher Maschinen- und Anlagenbau e.V.

Key top and bottom line drivers

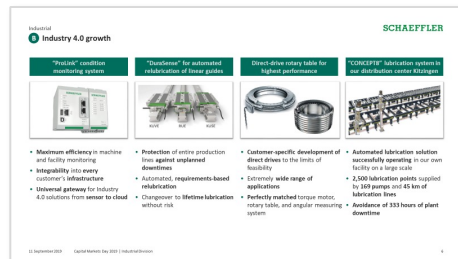
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Top
line
drivers

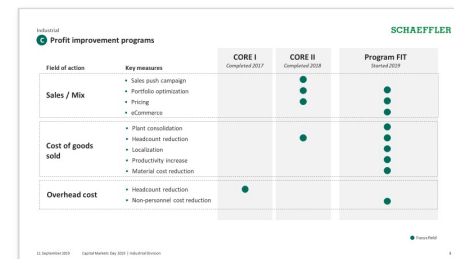
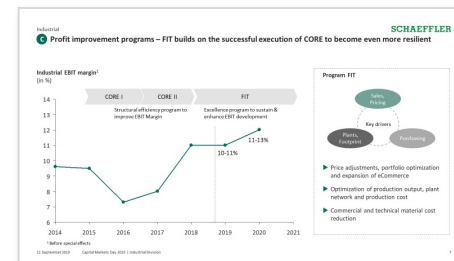
- A** Market development
- Deceleration of overall economic growth
 - Strong demand in Wind and Railway sector



- B** Industry 4.0 growth
- Industry 4.0 product portfolio ramps up
 - Key partnerships established



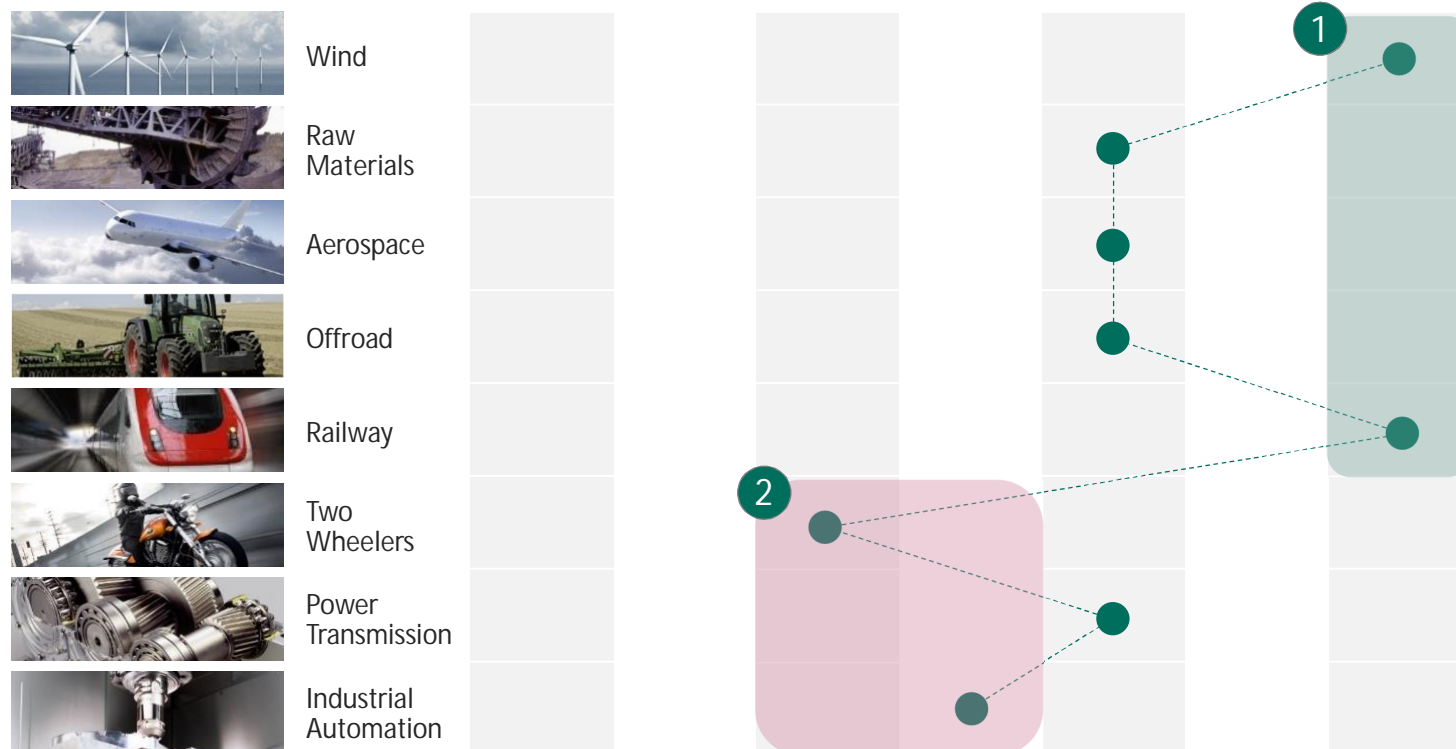
- C** Profit improvement programs CORE and FIT
- Program CORE successfully completed in 2018
 - Program FIT launched in 2019

Bottom
line
drivers

A Market development

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Market outlook 2019¹
(yoy)



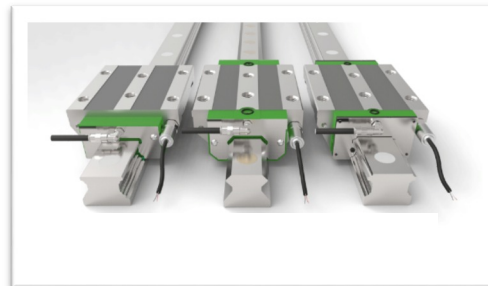
¹ Source: Internal analysis based on sector specific external market forecasts (July 2019)

“ProLink” condition monitoring system



- Maximum efficiency in machine and facility monitoring
- Integrability into every customer's infrastructure
- Universal gateway for Industry 4.0 solutions from sensor to cloud

“DuraSense” for automated relubrication of linear guides



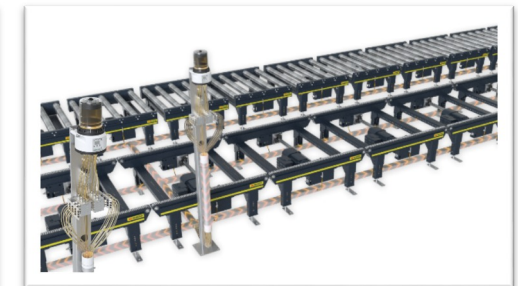
- Protection of entire production lines against unplanned downtimes
- Automated, requirements-based relubrication
- Changeover to lifetime lubrication without risk

Direct-drive rotary table for highest performance



- Customer-specific development of direct drives to the limits of feasibility
- Extremely wide range of applications
- Perfectly matched torque motor, rotary table, and angular measuring system

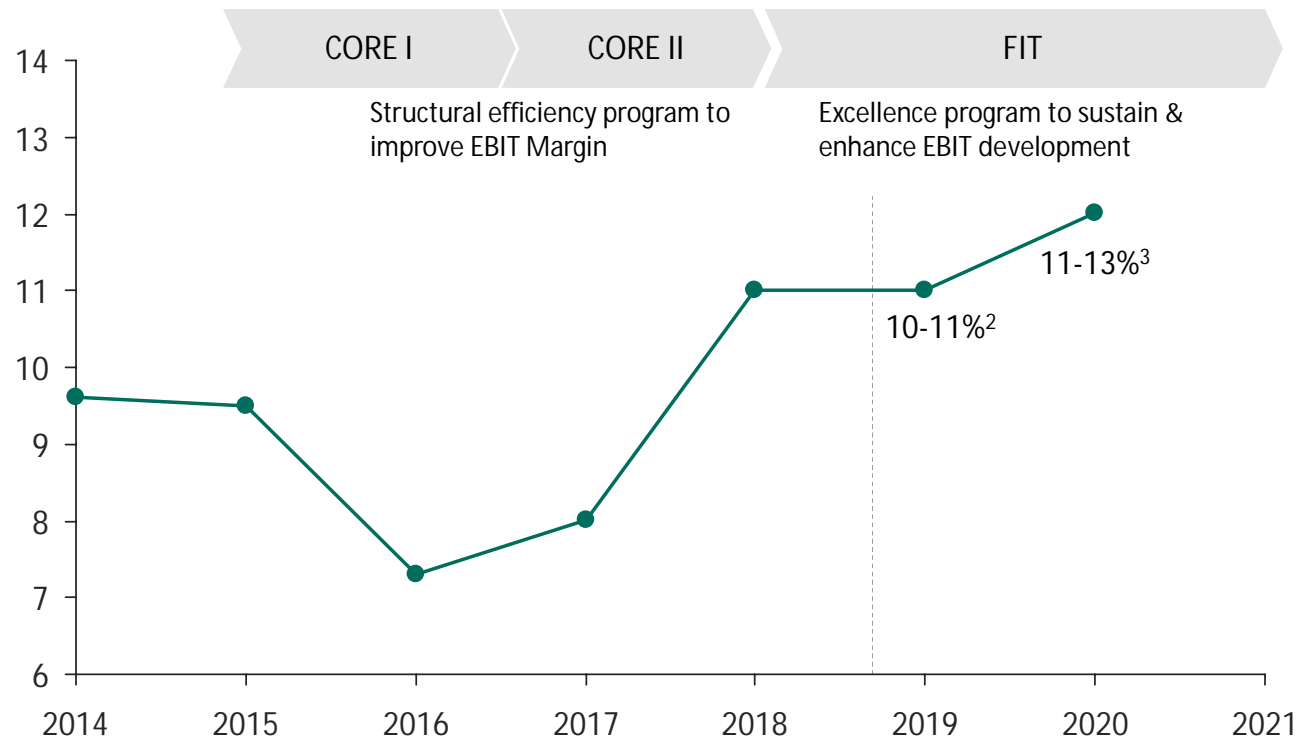
“CONCEPT8” lubrication system in our distribution center Kitzingen



- Automated lubrication solution successfully operating in our own facility on a large scale
- 2,500 lubrication points supplied by 169 pumps and 45 km of lubrication lines
- Avoidance of 333 hours of plant downtime

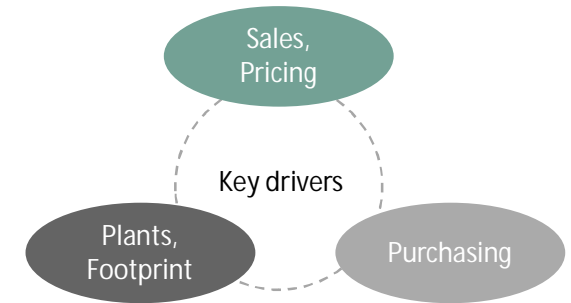
Profit improvement programs – FIT builds on the successful execution of CORE to become even more resilient

Industrial EBIT margin¹
(in %)



¹ Before special items | ² FY 2019 Guidance | ³ Target corridor FY 2020

Program FIT



- Price adjustments, portfolio optimization and expansion of eCommerce
- Optimization of production output, plant network and production cost
- Commercial and technical material cost reduction

C Performance improvement programs

Field of action	Key measures	CORE I <i>Completed 2017</i>	CORE II <i>Completed 2018</i>	FIT <i>Started 2019</i>
Sales / Mix	<ul style="list-style-type: none"> • Sales push campaign • Portfolio optimization • Pricing • eCommerce 		<ul style="list-style-type: none"> ● ● ● 	<ul style="list-style-type: none"> ● ● ●
Cost of goods sold	<ul style="list-style-type: none"> • Plant consolidation • Headcount reduction • Localization • Productivity increase • Material cost reduction 		<ul style="list-style-type: none"> ● ● 	<ul style="list-style-type: none"> ● ● ● ● ●
Overhead cost	<ul style="list-style-type: none"> • Headcount reduction • Non-personnel cost reduction 	<ul style="list-style-type: none"> ● 		<ul style="list-style-type: none"> ●

● Focus field

Divisional FY Guidance and current trading development

Divisional Guidance

	Actuals FY 2018	Actuals H1 2019	Guidance FY 2019
Sales growth ¹	+10.1%	+5.9%	2 - 4%
Absolute figure	EUR 3,385 mn	EUR 1,806 mn	-
EBIT margin ²	11.0%	+11.2%	10 - 11%
Absolute figure	EUR 372 mn	EUR 203 mn	-

¹ FX-adjusted | ² Before special items

Current trading – Top line trends July and August 2019



Wind and Rail with continued strong sales development



Greater China remains the regional growth driver



Weakening sales development in Europe and Asia Pacific

- 1 Market decelerated since H2 2018 – From broad-based to focused growth in selected sectors
- 2 A well-diversified sector structure and a still solid order book enable us to dampen market deceleration, strong growth in the wind and rail businesses
- 3 Industry 4.0 business ramps up – Several innovations introduced in 2019
Industry 4.0 innovations improve efficiency in our internal operations
- 4 Program CORE successfully concluded in 2018 – EBIT improvement fully effective as of end 2019
- 5 Program FIT started in 2019 – Significant EBIT contribution expected as of 2021
Pricing, portfolio mix improvement, production and material cost reduction are key levers

We remain confident for 2019 despite some sectors slowing down

Balancing of market up- and downsides while improving performance via Program FIT

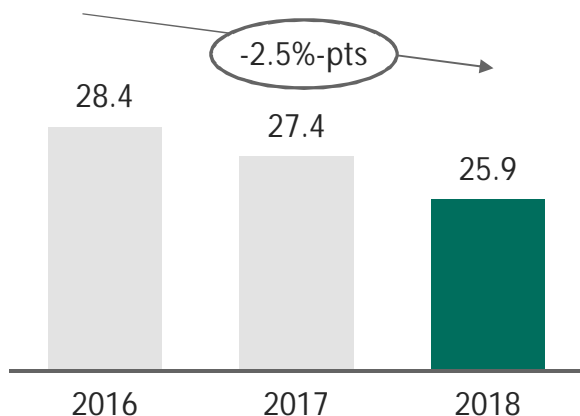
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Schaeffler Group results – Focus on self-help measures

Dietmar Heinrich, CFO

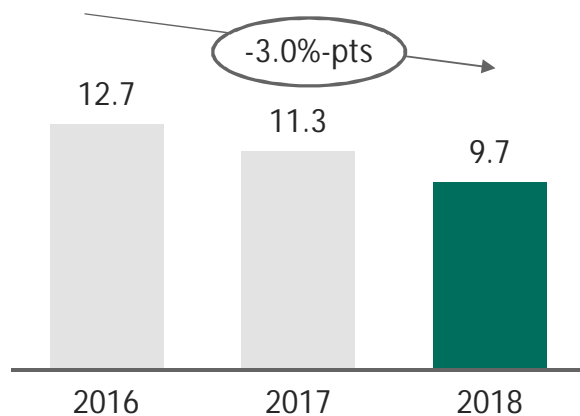
Self-help measures needed to curb earnings deterioration and protect Free Cash Flow

Gross Margin
in % of sales



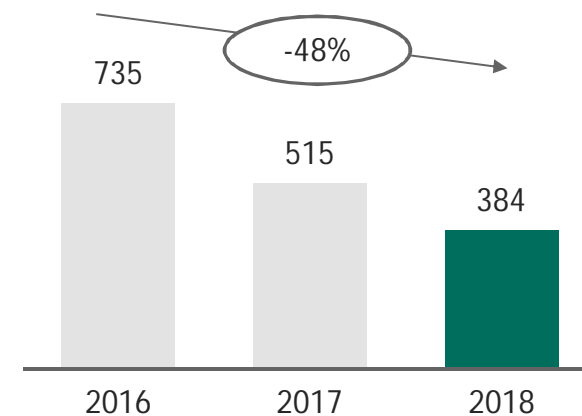
- Dilution driven by Automotive divisions, Industrial division accretive
- Gross margin in H1'19 sequentially stabilized at 25.1%, but on a subdued level

EBIT Margin¹
in % of sales



- 300 bps dilution driven by Gross Profit decrease, increased R&D spending and higher admin costs (partly due to Agenda 4 plus One)
- In H1'19, EBIT margin¹ at 7.7%. Flat R&D development supportive, admin costs increased

Free Cash Flow²
in EUR mn



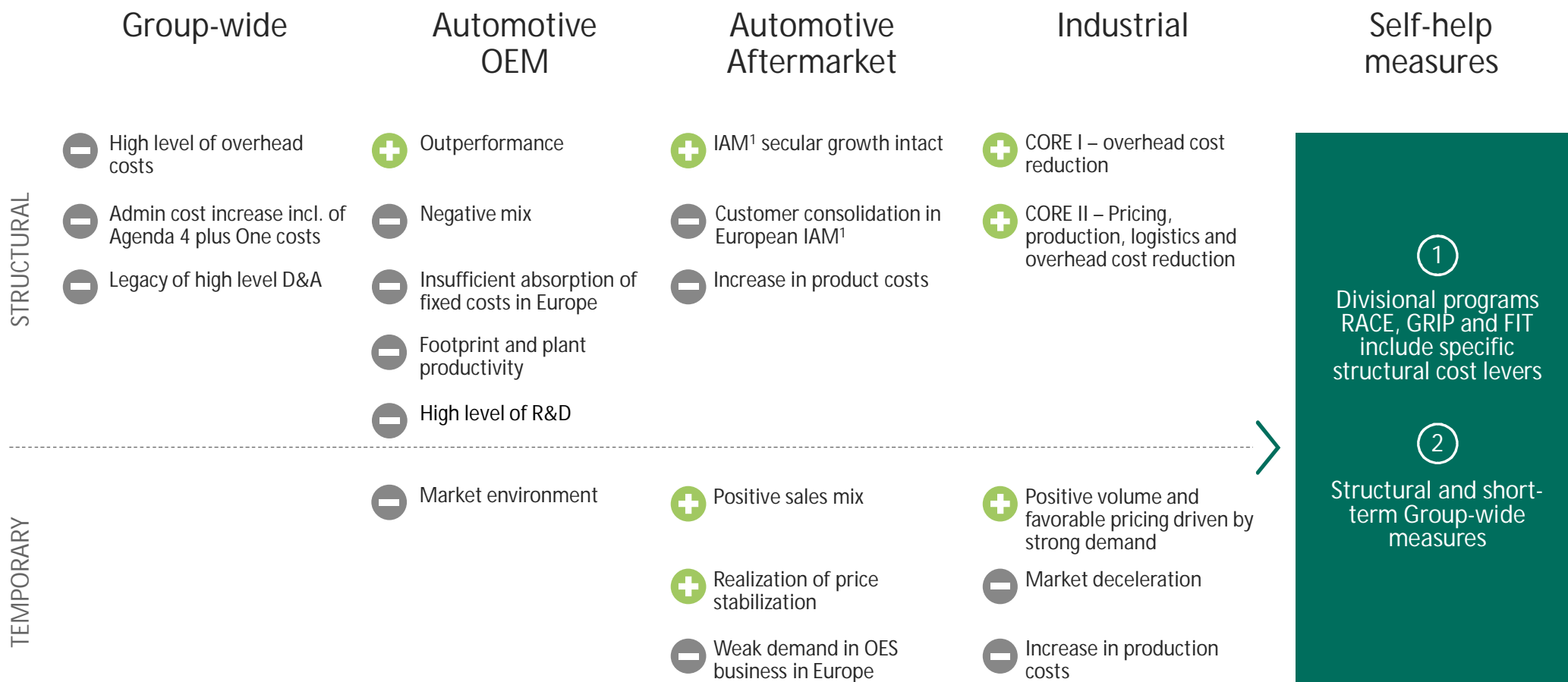
- Decline driven by > EUR 300 mn lower EBIT¹ and increase in Capex
- In H1'19, FCF² at EUR -229 mn supported by stricter Capex discipline

¹ Before special items

² Before cash in- and outflows for M&A activities

EBIT margin key company-specific moving parts – Self-help measures

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¹ Independent Aftermarket

Margin and Free Cash Flow protection – acting on all levers

EBIT adjusted

- Divisional programs, short-term and structural
- Group-wide, short-term measures – hiring freeze, closing days, flextime account and adjustment of working hours in Germany – to be followed by additional measures to increase fixed cost absorption also in case of increasingly adverse market conditions

Capex

- Steered by Capex Committee (CEO, CFO, COO)
- 6-8% Capex ratio in the mid-term, below 8% in FY 2019

Inventories

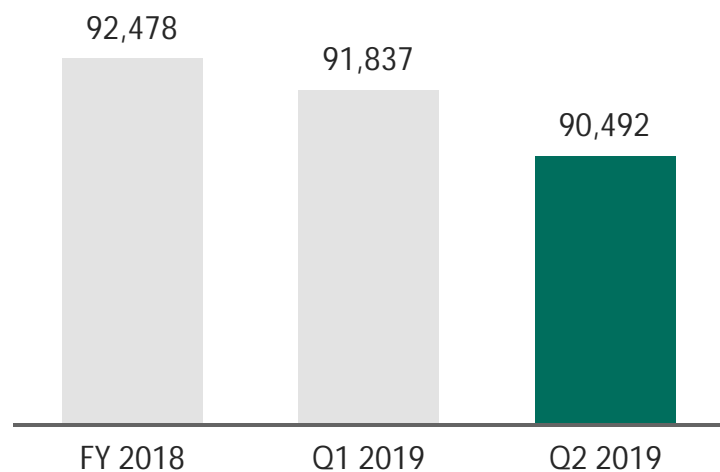
- Short-term lever: active inventory management by adjusting inventories to lower sales volume
- Structural lever: Global Supply Chain project aimed at optimization of processes and footprint and at necessary localization

Receivables / Payables

- Receivables levers: Stringent follow up on overdues and strengthened dispute management
- Payables levers: Further payment term harmonization

Headcount and FTE adjustments accelerated

Schaeffler Headcount
as per end of period



Decline vs.
end of 2018

-641

-1,986

Headcount and FTE adjustments

- Headcount reduction of 1,986 achieved by divestment of Barden plant in UK and adjustment in direct areas across regions
- In addition short-time work and the adjustment of 40-hour contracts to 35-hours were implemented to reduce FTEs in selected divisions and functions
- Regional split of Headcount reduction includes
 - Europe: ca. -1,000
 - Americas: ca. -400
 - Greater China: ca. -550
 - Asia Pacific: ca. -50



Further adjustments will be done in line with
market environment

Monitoring of productivity in plants intensified

Flex-rate of German Automotive OEM plants

Example Month of July

Size of plant		Direct Area	Indirect Area
Plant 1		Green	Green
Plant 2		Green	Red
Plant 3		Red	Green
Plant 4		Green	Green
Plant 5		Green	Red
Plant 6		Green	Yellow
Plant 7		Yellow	Red
Plant 8		Green	Green
Plant 9		Red	Red
Plant 10		Red	Red
Plant 11		Red	Red
Plant 12		Red	Red
Plant 13		Red	Red
Plant 14		Red	Red

Flex-rate of German Automotive OEM plants

- Flex-rate established as KPI to measure adaption of personnel resources to volume fluctuation
- Observations: large plants are performing better in flexing their cost base than smaller plants. Flexibility is generally higher in direct areas than in indirect areas
- Consolidation of smaller German Automotive OEM plants pursued as part of RACE program



We target a further improvement of flex-rates

Summary – Schaeffler Group results

- 1 Heterogeneous gross margin dynamics among Divisions call for differentiated self-help programs, increased overhead costs require Group-wide approach

- 2 Short-term measures to counter market weakness are complemented by medium-term efficiency and portfolio optimization measures to address our structural issues

- 3 Stricter capital discipline and further optimization of working capital management will maintain our solid FCF generation and liquidity profile

- 4 Headcount reduction accelerated by divestment of Barden plant and adjustment in direct areas

- 5 Monitoring of German automotive plant productivity intensified based on flex-rate tracking

➤ We will continuously adapt our structures to the market conditions and to sector challenges

Conclusion and Q&A

7

Klaus Rosenfeld, CEO

We are committed to our FY 2019 Guidance – New mid-term Targets 2024 to come

Group Guidance

	Previous Guidance FY 2019	New Guidance FY 2019
Sales growth ¹	1 - 3%	-1 - +1%
EBIT margin ²	8 - 9%	7 - 8%
Free Cash Flow ³	~ EUR 400 mn	EUR 350 - 400 mn

New mid-term
Targets 2024 to
be announced

¹ FX-adjusted | ² Before special items

³ Before cash in- and outflows for M&A activities

Divisional Guidance

Automotive OEM		Automotive Aftermarket		Industrial	
Previous	New	Previous	New	Previous	New
1 - 3%	-2 - 0%	1 - 3%	-2 - 0%	1 - 3%	2 - 4%
6 - 7%	5 - 6%	15 - 16%	15 - 16%	10 - 11%	10 - 11%

Market assumptions 2019

- Automotive OEM: Decrease of global passenger car production of around - 4% (Previously⁴: -1%)
- Automotive Aftermarket: Slower growth in the global vehicle population and a nearly unchanged average vehicle age
- Industrial: Growth of industrial production of approximately 2%

⁴ As of March 6th, 2019

Schaeffler Group – Unlocking value for our shareholders

- 1 Top line – Play to win in all three divisions leveraging our technology with a more impactful Portfolio Approach
- 2 Business Focus – From Powertrain Vision (30/40/30) to sizeable order intake in E-Mobility
- 3 Profitability – Improve R&D efficiency, fully implement self-help measures and further optimize footprint
- 4 Capital Allocation – Stricter framework to ensure Capex discipline and foster continued FCF generation
- 5 Performance orientation – Organization rewired, leadership team completed, Strategic Roadmap 2020-2024 in preparation



Unlocking value for our shareholders

Q&A

