Capital Markets Day 2019
Schaeffler AG

September 11, 2019
Frankfurt
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<tr>
<th></th>
<th>Name</th>
<th>Topic</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Klaus Rosenfeld</td>
<td>Strategy Schaeffler Group – Portfolio and capital allocation priorities</td>
<td>15:10</td>
</tr>
<tr>
<td>2</td>
<td>Matthias Zink</td>
<td>Automotive OEM – Shaping the future in a more complex market</td>
<td>15:25</td>
</tr>
<tr>
<td>2.1</td>
<td>Jochen Schröder</td>
<td>E-Mobility – Delivering on our BEV and HEV targets</td>
<td>15:40</td>
</tr>
<tr>
<td>2.2</td>
<td>Patrick Lindemann</td>
<td>HEV Technology – Maximum benefit, minimum space</td>
<td>15:55</td>
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<td>3</td>
<td>Uwe Wagner</td>
<td>R&amp;D – The way forward in Innovation and Efficiency</td>
<td>16:10</td>
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<td>4</td>
<td>Michael Söding</td>
<td>Automotive Aftermarket – Coping with structural changes to fund growth</td>
<td>16:25</td>
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<td>Stefan Spindler</td>
<td>Industrial – Successful execution in a more challenging environment</td>
<td>16:45</td>
</tr>
<tr>
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<td>Dietmar Heinrich</td>
<td>Schaeffler Group results – Focus on self-help measures</td>
<td>17:05</td>
</tr>
<tr>
<td>7</td>
<td>Klaus Rosenfeld</td>
<td>Conclusion, followed by Q&amp;A with all presenters</td>
<td>17:15</td>
</tr>
</tbody>
</table>
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

Environment remains challenging

- Trade conflict US-China
- Geopolitical risk
- Even stricter regulations
- Strong focus on sustainability and ESG topics
- Increasing recession risk
- Slowdown in Industrial production
- Technological change
Transformation continues

Roadmap 2020 - 2024

Preparing for the next phase

One Schaeffler

Mobility for Tomorrow 2016 - 2019

IPO

Mid-term Targets 2024
We remain an Automotive and Industrial Supplier

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
More focus on where to play and how to win

Portfolio Management Framework

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
**Capital Allocation Framework strengthened**

**Capex for organic growth**

<table>
<thead>
<tr>
<th>Portfolio strategies</th>
<th>Capex categories</th>
<th>1 Growth¹</th>
<th>2 Rationalization</th>
<th>3 Maintenance</th>
<th>4 Safety and regulatory</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Build</td>
<td></td>
<td>✓ ✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓ ✓</td>
</tr>
<tr>
<td>B Grow</td>
<td></td>
<td>✓ ✓ ✓</td>
<td>✓ ✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓</td>
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<td>C Harvest</td>
<td></td>
<td>✓ ✓</td>
<td>✓</td>
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<td>Total</td>
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<td>✓ ✓</td>
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</tbody>
</table>

**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

1 Capacity expansion and new products
Cash generation and compelling usage of cash remain key

**Generation of Cash**

- EBIT
  - Firm commitment to flex cost base
  - Short-term and structural measures

- Working capital
  - Active inventory management
  - Global Supply Chain optimization

- Capex
  - Differentiated steering
  - Capex Committee

**Usage of Cash**

- Dividend
  - Dividend policy unchanged
  - Payout ratio of 30-40% of Net Income

- M&A
  - Acquisitions and divestments
  - M&A funded by external debt

- Deleveraging
  - Balance sheet quality to be maintained
  - FCF Guidance should allow for more deleveraging

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1 Schaeffler Group – CEO

11 Sep 2019  Capital Markets Day 2019

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

<table>
<thead>
<tr>
<th>Re-shape the organisation</th>
<th>Nurture Top Line Growth</th>
<th>Re-allocate resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visions &amp; Values introduced</td>
<td>Extend Components into Systems</td>
<td>First large-scale restructuring CORE I and II in Industrial</td>
</tr>
<tr>
<td>One Schaeffler established</td>
<td>Vision Powertrain and Vision Chassis Mechatronics created</td>
<td>Address over-proportional Capex</td>
</tr>
<tr>
<td>Schaeffler Group organized into 3 divisions</td>
<td>E-Mobility Business Division launched</td>
<td>Refocus broad-based R&amp;D activities</td>
</tr>
<tr>
<td>BCT internal manufacturing unit dissolved</td>
<td>Selected bolt-on Acquisitions closed</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agenda 4 plus One 20 initiatives, among which:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Excellence</td>
</tr>
<tr>
<td>E-Mobility</td>
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<tr>
<td>Industry 4.0</td>
</tr>
<tr>
<td>Global Branding</td>
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<tr>
<td>CORE I and II</td>
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<tr>
<td>Global Footprint</td>
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<tr>
<td>Shared Services</td>
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<tr>
<td>Working Capital</td>
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<tr>
<td>Factory for Tomorrow</td>
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<tr>
<td>AKO</td>
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<td>IT 2020</td>
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<tr>
<td>Digital Agenda</td>
</tr>
</tbody>
</table>
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

Cross-divisional initiatives

1. Automotive OEM Division – Program RACE
2. Automotive Aftermarket Division – Program GRIP
3. Industrial Division – Program FIT

Automotive OEM Division – Program RACE
Automotive Aftermarket Division – Program GRIP
Industrial Division – Program FIT
Schaeffler Group 2009-2024 – Transformation continues

Today

Mid-term Targets 2024

Roadmap 2020-2024

Getting ahead of the curve

2009 – 2011
2012 – 2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
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)

+ 4 Regional CEOs

Finalizing and delivering our Strategic Roadmap 2020-2024
Automotive OEM –
Shaping the future in a more complex market

Matthias Zink, CEO Automotive OEM
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 Systems
- 17% of Automotive OEM sales in 2018
  - Chassis bearings
  - Wheel bearings
  - Active mechatronic roll control
  - Ball screw drives for steering systems
  - Drive-by-Wire-Technology

### 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

### Transmission Systems
- E-Axes
- Hybrid modules
- Actuators
- CVT- and DCT-technologies
- Electric motors

### E-Mobility
- 5% of Automotive OEM sales in 2018
- Clutch Systems, E-clutches
- Damping technologies (e.g. dual mass flywheel)
- Double-clutch systems
- Torque converter
- Transmission bearings

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Sales in EUR mn

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>4,587</td>
<td>4,514</td>
</tr>
<tr>
<td>63% of Group sales</td>
<td></td>
<td></td>
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</tbody>
</table>

Gross profit margin

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>H1 2018</td>
<td>23.9%</td>
<td></td>
</tr>
<tr>
<td>H1 2019</td>
<td>20.7%</td>
<td></td>
</tr>
</tbody>
</table>

EBIT² in EUR mn

<p>| | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>H1 2018</td>
<td>425</td>
<td>216</td>
</tr>
<tr>
<td>39% of Group EBIT</td>
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</table>

EBIT margin²

<p>| | | |</p>
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<tbody>
<tr>
<td>H1 2018</td>
<td>9.3%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

¹ FX-adjusted
² Before special items
2 Automotive OEM

Challenging market environment

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

August 2019
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

<table>
<thead>
<tr>
<th>Year</th>
<th>ICE</th>
<th>HEV</th>
<th>EV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>93%</td>
<td>56%</td>
<td>30%</td>
</tr>
<tr>
<td>2025 e</td>
<td>12%</td>
<td>32%</td>
<td>40%</td>
</tr>
<tr>
<td>2030 e</td>
<td>3%</td>
<td>13%</td>
<td>18%</td>
</tr>
</tbody>
</table>

**Challenging Market Environment**

**Influencing factors:**
- Trade environment
- Competitive environment
- End-customers uncertainty

**Vision Intelligent and Connected Vehicles**

Global Automotive Production

<table>
<thead>
<tr>
<th>Year</th>
<th>L5</th>
<th>L4</th>
<th>L3</th>
<th>≤L2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2025 e</td>
<td>3%</td>
<td>4%</td>
<td>9%</td>
<td>96%</td>
</tr>
<tr>
<td>2030 e</td>
<td>18%</td>
<td>14%</td>
<td>59%</td>
<td>81%</td>
</tr>
<tr>
<td>2035 e</td>
<td>14%</td>
<td>18%</td>
<td>59%</td>
<td>9%</td>
</tr>
</tbody>
</table>

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

11 Sep 2019 Capital Markets Day 2019
How we shape our Automotive OEM portfolio

Automotive OEM Business Divisions
- Engine Systems
- Transmission
- E-Mobility
- Chassis Systems

Recent acquisitions
- ELMOTEC
- STATOMAT
- XTRONIC
- SPACEDRIVE

Ensure efficiency and optimize the portfolio in a volatile market environment
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

Impact

Today

Wave 1
Wave 2
Wave 3

2019
2020
2021
2022
2023 and beyond

Time

11 Sep 2019 Capital Markets Day 2019
2 Automotive OEM

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

Achievements (YTD)

- Plant consolidation in Europe
  - 2 out of 5 implemented
  - on track

- 250 HCO reduced in Europe
  - on track

- Exit/Divestment businesses identified
  - ongoing

- 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
  - ✓

\(^1\) Including allocated Capex
Divisional FY Guidance and current trading development

<table>
<thead>
<tr>
<th>Divisional Guidance</th>
<th>Actuals FY 2018</th>
<th>Actuals H1 2019</th>
<th>Guidance FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth¹</td>
<td>+2.1%</td>
<td>-2.9%</td>
<td>-2 - 0%</td>
</tr>
<tr>
<td>Absolute figure</td>
<td>EUR 8,997 mn</td>
<td>EUR 4,514 mn</td>
<td>-</td>
</tr>
<tr>
<td>EBIT margin²</td>
<td>7.7%</td>
<td>4.8%</td>
<td>5 - 6%</td>
</tr>
<tr>
<td>Absolute figure</td>
<td>EUR 693 mn</td>
<td>EUR 216 mn</td>
<td>-</td>
</tr>
</tbody>
</table>

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
### Automotive OEM Order Intake

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>H2</td>
<td>6.6</td>
<td>4.6</td>
<td>&gt; 2.2</td>
</tr>
<tr>
<td>H1</td>
<td>4.7</td>
<td>8.0</td>
<td>7.7</td>
</tr>
</tbody>
</table>

#### Book to Bill Ratio

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-Mobility</td>
<td>4.7x</td>
</tr>
<tr>
<td>Engine Systems</td>
<td>2.2x</td>
</tr>
<tr>
<td>Transmission</td>
<td>1.2x</td>
</tr>
<tr>
<td>Chassis Systems</td>
<td>1.3x</td>
</tr>
</tbody>
</table>

#### Major Contract wins YTD 2019

- **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**

#### Vision Powertrain

**Global Automotive Production**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2025 e</th>
<th>2030 e</th>
</tr>
</thead>
<tbody>
<tr>
<td>EV</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>HEV</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ICE</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tbody>
</table>

#### Promising and healthy Engine business

- **Engine Components**
  - Finger Follower
  - Electric Cam Phaser
  - Thermal Management
  - Various nominations

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1. Received orders in given time period
2. Book to Bill Ratio 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
E-Mobility – Delivering on our BEV and HEV targets

Dr. Jochen Schröder, President E-Mobility
2.1 E-Mobility

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

Successful order intake for E-Mobility in YTD 2019

**E-Axle 2-in-1 system**
- Scope of delivery: 1-speed E-Axle transmission, E-Motor integration, housing & cooling
- SOP 2021 / China

**1st E-Motor project**
- Scope of delivery: rotor & stator components for induction and synchronous E-Motors
- SOP 2021 / global

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

**Hybrid module for DHT application**
- Scope of delivery: E-Motor designed by Schaeffler, double wet clutch
- SOP 2022 / global

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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

Consistently closed last production technology gaps through acquisition of Elmotec Statomat, a specialist and technology leader for mass production machines for stators & winding technology

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

First E-Motor project nomination with order intake volume > 1 bn EUR over lifetime for a BEV application of an well-established OEM

Nomination received for a Hybrid Module for a DHT application including an E-Motor designed and produced by Schaeffler

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
2.1 E-Mobility

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

E-Mobility Pyramid

1. Mechatronic- and electrical systems
2. Mechanic systems
3. Components

System understanding

Nomination received for “2 in 1” systems

Becoming supplier of electrified drivetrains

Schaeffler will be supplier of „2 in 1“ systems and E-Motors
Projects with complete electrified drivetrains incl. power electronics will be the next step to follow soon – we are fully prepared!
Summary – E-Mobility

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
HEV Technology –
Maximum benefit, minimum space

Patrick Lindemann, President Transmission Systems & E-Mobility Americas
2.2 HEV Technology

Schaeffler Hybrid Module Solution: Maximum benefit, minimum space!

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

Ford Explorer Powertrain Cut-away

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

- Torque Converter (~900 patents)
- Electric Motor
- Hybrid Module

Fun-to-drive
- 75 kW of additional power
- 300 Nm of torque

Full Hybrid functionality
- PHEV / FHEV
- Electric, boosted, regenerative driving
- Fuel economy improvement
Why Buy?
- Fun-to-drive
- Improved acceleration
- More environmentally friendly
- Increased driving range
- Increased towing capacity
- Cost of ownership reduction

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

Long-term strategic partnership
Hybrid solution with significant Schaeffler value increase

<table>
<thead>
<tr>
<th>Transmission 6R80 (6 speed)</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bearings</td>
<td></td>
</tr>
<tr>
<td>Torque Converter</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transmission 10R80 (10 speed)</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bearings</td>
<td></td>
</tr>
<tr>
<td>One Way Clutch</td>
<td></td>
</tr>
<tr>
<td>Torque Converter</td>
<td></td>
</tr>
<tr>
<td>Schaeffler components</td>
<td>75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transmission 10RMHT</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bearings</td>
<td></td>
</tr>
<tr>
<td>One Way Clutch</td>
<td></td>
</tr>
<tr>
<td>Integrated Hybrid Module with TC</td>
<td></td>
</tr>
<tr>
<td>106 without motor 211 with motor</td>
<td></td>
</tr>
<tr>
<td>Schaeffler components</td>
<td></td>
</tr>
</tbody>
</table>

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
2.2 HEV Technology

Scalable solution for multiple segments

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

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.

1. Uncertain challenging market environment requires step-up in efficiency and productivity

   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

2. Strong E-Mobility order intake with products for HEV and EV already in RACE target corridor of EUR 1.5 - 2.0 bn

3. Key to our successful project wins are our excellence in system understanding and our close customer proximity
R&D –
The way forward in Innovation and Efficiency

Uwe Wagner, incoming CTO
Introducing Uwe Wagner

- 26 years with Schaeffler
- Experience in industrialization of new products
- Leading R&D Automotive & Industrial
Only with a strong focus on R&D efficiency we will manage the growth and technical transformation going forward.

**Mission**

Ensure efficiency and optimize portfolio.

**Vision**

**Product Hierarchy**

- **Components**
  - Mechanical Systems
  - Mechatronics
  - Systems & Services
- **Automotive**
- **Industrial**
- **New**
- **Growth**
- **Maturation**
- **Consolidation**

**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.
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

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

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

Key Success Factors – R&D Roadmap

R&D Pyramid

three-layer structure

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

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

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

**Automated Driving**
- L5
- L4
- L3
- ≤L2

**Steer-by-Wire**
- Schaeffler Development
  - Redundant SbW³
  - Spacedrive 2
  - Simplification

**Mainstream Development**
- Redundant EPS²
- carry-over
- duplication
- EPS² in production

**Schaeffler Modular SbW³ Platform**
- iFWS: intelligent Front Wheel Steering
- iRWS: intelligent Rear Wheel Steering
- HWA: Hand Wheel Actuator
- RWA: Road Wheel Actuator

**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
3 R&D

Intelligent Front Wheel Steering System – Accelerated Innovation

Automated Driving

Development platform Steer-by-Wire

Space Drive II

Hardware-in-the-loop Test Rig (2020)

DemoCar (2019)

Mockup (2018)

Development Steer-by-Wire platform based on Space Drive 2 experience

1 Intelligent and connected vehicle
Accelerated transfer of innovations to business by effective and agile advanced project tracking system

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

Concentrated initiatives for new technologies and processes
Automotive Aftermarket – Coping with structural changes to fund growth

Michael Söding, CEO Automotive Aftermarket
The AAM division manages its portfolio in four segments to meet market needs.

- Passenger Cars
- Light Commercial Vehicles
- Heavy Commercial Vehicles
- Tractors & Agricultural Vehicles

**REPXPERT** 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.

Sales in EUR mn

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit margin</td>
<td>926</td>
<td>905</td>
</tr>
<tr>
<td>13% of Group sales</td>
<td>35.7%</td>
<td>33.7%</td>
</tr>
</tbody>
</table>

EBIT in EUR mn

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>24% of Group EBIT</td>
<td>179</td>
<td>136</td>
</tr>
<tr>
<td>EBIT margin²</td>
<td>19.3%</td>
<td>15.1%</td>
</tr>
</tbody>
</table>

¹ FX-adjusted  | ² Before special items
Secular growth drivers intact – Great potential in China

**Vehicle population**
*Million units (PC/LCV)*

<table>
<thead>
<tr>
<th>Region</th>
<th>2018</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>547</td>
<td>617</td>
</tr>
<tr>
<td>Americas</td>
<td>430</td>
<td>467</td>
</tr>
<tr>
<td>Greater China</td>
<td>221</td>
<td>323</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>180</td>
<td>197</td>
</tr>
</tbody>
</table>

**Vehicle age**
*Average age in years (PC/LCV)*

<table>
<thead>
<tr>
<th>Region</th>
<th>2018</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>11.6</td>
<td>11.9</td>
</tr>
<tr>
<td>Americas</td>
<td>10.2</td>
<td>10.3</td>
</tr>
<tr>
<td>Greater China</td>
<td>5.4</td>
<td>6.5</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>8.6</td>
<td>9.0</td>
</tr>
</tbody>
</table>

**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
**Key business drivers**

**Market**
- Growing and ageing car parc
- Stagnating 'traditional-mainstay' markets (EU + NA)

**Customers**
- Increasing affinity of customers for one-stop-shop solution platforms
- Consolidating wholesale layer in European Independent Aftermarket
- Destocking in both OES and independent Aftermarket

**Technology**
- Increasing complexity of cars with electronics and software content; striving for higher efficiency
- Fewer wear and tear parts
- Increasing number of recalls

**Digitalization**
- Big data driven delivery performance improvement
- Extended customer reach through eCommerce
- Investments in future-oriented projects

**Competitors**
- OEM push to capture back IAM share
- Emerging low-cost suppliers for 'easy-to-copy' parts

---

1 Non exhaustive
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

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>H1 2019</th>
<th>Guidance FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales growth</strong></td>
<td>+2.2%</td>
<td>-2.4%</td>
<td>-2 - 0%</td>
</tr>
<tr>
<td>Absolute figure</td>
<td>EUR 1,859 mn</td>
<td>EUR 905 mn</td>
<td>-</td>
</tr>
<tr>
<td><strong>EBIT margin</strong></td>
<td>17.0%</td>
<td>15.1%</td>
<td>15 - 16%</td>
</tr>
<tr>
<td>Absolute figure</td>
<td>EUR 316 mn</td>
<td>EUR 136 mn</td>
<td>-</td>
</tr>
</tbody>
</table>

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.
Industrial –
Successful execution in a more challenging environment

Stefan Spindler, CEO Industrial
Industrial – Overview

Customer segments | Sector Clusters

- Wind 10%
- Aerospace 8%
- Offroad 9%
- Power Transmission 11%
- Industrial Distribution 31%
- Raw Materials 7%
- Railway 6%
- Two Wheelers 5%
- Industrial Automation 13%

Products

- Industry 4.0 services
- Mechatronics
- Mechanical Systems
- Components

New business (Industry 4.0)

Existing business

Sales in EUR mn

- 25% of Group sales
  - H1 2018: 1,679
  - H1 2019: 1,806

Gross profit margin

- 30.2%
- 31.6%

EBIT in EUR mn

- 37% of Group EBIT
  - H1 2018: 190
  - H1 2019: 203

EBIT margin

- 11.3%
- 11.2%

1 Product sales 2018  |  2 FX-adjusted  |  3 Before special items
Macroeconomic environment 2019

Industrial production 2018-2019\(^1\)
(yoy in %)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Industrial Production - key industrial sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/18</td>
<td>6.2</td>
</tr>
<tr>
<td>Q2/18</td>
<td>4.5</td>
</tr>
<tr>
<td>Q3/18</td>
<td>3.6</td>
</tr>
<tr>
<td>Q4/18</td>
<td>3.2</td>
</tr>
<tr>
<td>Q1/19</td>
<td>2.9</td>
</tr>
<tr>
<td>Q2/19</td>
<td>2.4</td>
</tr>
<tr>
<td>Q3/19</td>
<td>2.7</td>
</tr>
<tr>
<td>Q4/19</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Forecast

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 VDMA\(^3\) 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

**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
Market outlook 2019\(^1\) (yoy)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Wind</th>
<th>Raw Materials</th>
<th>Aerospace</th>
<th>Offroad</th>
<th>Railway</th>
<th>Two Wheelers</th>
<th>Power Transmission</th>
<th>Industrial Automation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market development</strong></td>
<td><img src="image1.png" alt="Wind" /></td>
<td><img src="image2.png" alt="Raw Materials" /></td>
<td><img src="image3.png" alt="Aerospace" /></td>
<td><img src="image4.png" alt="Offroad" /></td>
<td><img src="image5.png" alt="Railway" /></td>
<td><img src="image6.png" alt="Two Wheelers" /></td>
<td><img src="image7.png" alt="Power Transmission" /></td>
<td><img src="image8.png" alt="Industrial Automation" /></td>
</tr>
</tbody>
</table>

**Sectors with strong outlook**
- Schaeffler with strong share in Chinese wind market which is booming due to upcoming policy changes
- Railway sector benefits from infrastructure investments. Growth in both Western Europe and China

**Sectors with weak outlook**
- Downturn for early cyclical sectors such as Industrial Automation and Two-Wheelers
- Economic uncertainty leads to reduced investment and consumer spending

---

\(^1\) Source: Internal analysis based on sector specific external market forecasts (July 2019)
Industry 4.0 growth

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

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

- **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

- **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**

**“ProLink” condition monitoring system**

**“DuraSense” for automated relubrication of linear guides**

**Direct-drive rotary table for highest performance**

**“CONCEPT8” lubrication system in our distribution center Kitzingen**
Profit improvement programs – FIT builds on the successful execution of CORE to become even more resilient.

### Program FIT

- **Sales, Pricing**
- **Plants, Footprint**
- **Purchasing**

#### Key drivers

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

---

**Industrial EBIT margin**

(in %)

- **CORE I**
  - Structural efficiency program to improve EBIT Margin
- **CORE II**
  - Excellence program to sustain & enhance EBIT development
- **FIT**
  - 10-11%
  - 11-13%

---

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

---

[Graph showing EBIT margin from 2014 to 2021]
## Performance improvement programs

<table>
<thead>
<tr>
<th>Field of action</th>
<th>Key measures</th>
<th>CORE I</th>
<th>CORE II</th>
<th>FIT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales / Mix</strong></td>
<td>• Sales push campaign</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Portfolio optimization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Pricing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• eCommerce</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost of goods sold</strong></td>
<td>• Plant consolidation</td>
<td></td>
<td>•</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Headcount reduction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Localization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Productivity increase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Material cost reduction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Overhead cost</strong></td>
<td>• Headcount reduction</td>
<td>•</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Non-personnel cost reduction</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Focus field

**CORE I** Completed 2017

**CORE II** Completed 2018

**FIT** Started 2019
## Divisional FY Guidance and current trading development

### Divisional Guidance

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>H1 2019</th>
<th>Guidance FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales growth</strong>¹</td>
<td>+10.1%</td>
<td>+5.9%</td>
<td>2 - 4%</td>
</tr>
<tr>
<td>Absolute figure</td>
<td>EUR 3,385 mn</td>
<td>EUR 1,806 mn</td>
<td>-</td>
</tr>
<tr>
<td><strong>EBIT margin</strong>²</td>
<td>11.0%</td>
<td>+11.2%</td>
<td>10 - 11%</td>
</tr>
<tr>
<td>Absolute figure</td>
<td>EUR 372 mn</td>
<td>EUR 203 mn</td>
<td>-</td>
</tr>
</tbody>
</table>

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
Summary – Industrial

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
Schaeffler Group results – Focus on self-help measures

Dietmar Heinrich, CFO
Self-help measures needed to curb earnings deterioration and protect Free Cash Flow

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

Gross Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>28.4</td>
<td>27.4</td>
<td>25.9</td>
</tr>
</tbody>
</table>

-3.0%-pts

- 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 margin\(^1\) at 7.7%. Flat R&D development supportive, admin costs increased

EBIT Margin\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>12.7</td>
<td>11.3</td>
<td>9.7</td>
</tr>
</tbody>
</table>

-3.0%-pts

- Decline driven by > EUR 300 mn lower EBIT\(^1\) and increase in Capex
- In H1’19, FCF\(^2\) at EUR -229 mn supported by stricter Capex discipline

Free Cash Flow\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow</td>
<td>735</td>
<td>515</td>
<td>384</td>
</tr>
</tbody>
</table>

-48%

Guidance 2019:

- EBIT Margin\(^1\): 7-8%
- Free Cash Flow\(^2\): 350-400 mn

\(^1\) Before special items
\(^2\) Before cash in- and outflows for M&A activities
### EBIT margin key company-specific moving parts – Self-help measures

<table>
<thead>
<tr>
<th>Group-wide</th>
<th>Automotive OEM</th>
<th>Automotive Aftermarket</th>
<th>Industrial</th>
<th>Self-help measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>High level of overhead costs</td>
<td>Outperformance</td>
<td>IAM(^1) secular growth intact</td>
<td>CORE I – overhead cost reduction</td>
<td></td>
</tr>
<tr>
<td>Admin cost increase incl. of Agenda 4 plus One costs</td>
<td>Negative mix</td>
<td>Customer consolidation in European IAM(^1)</td>
<td>CORE II – Pricing, production, logistics and overhead cost reduction</td>
<td></td>
</tr>
<tr>
<td>Legacy of high level D&amp;A</td>
<td>Insufficient absorption of fixed costs in Europe</td>
<td>Increase in product costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Footprint and plant productivity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>High level of R&amp;D</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market environment</td>
<td>Positive sales mix</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Independent Aftermarket

**11 Sep 2019 Capital Markets Day 2019**
**Margin and Free Cash Flow protection – acting on all levers**

<table>
<thead>
<tr>
<th>EBIT adjusted</th>
<th>Capex</th>
<th>Inventories</th>
<th>Receivables / Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Divisional programs, short-term and structural</td>
<td>• Steered by Capex Committee (CEO, CFO, COO)</td>
<td>• Short-term lever: active inventory management by adjusting inventories to lower sales volume</td>
<td>• Receivables levers: Stringent follow up on overdues and strengthened dispute management</td>
</tr>
<tr>
<td>• 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</td>
<td>• 6-8% Capex ratio in the mid-term, below 8% in FY 2019</td>
<td>• Structural lever: Global Supply Chain project aimed at optimization of processes and footprint and at necessary localization</td>
<td>• Payables levers: Further payment term harmonization</td>
</tr>
</tbody>
</table>
Headcount and FTE adjustments accelerated

- 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

We target a further improvement of flex-rates

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

<table>
<thead>
<tr>
<th>Size of plant</th>
<th>Direct Area</th>
<th>Indirect Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant 2</td>
<td></td>
<td></td>
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<tr>
<td>Plant 3</td>
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<tr>
<td>Plant 4</td>
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<td>Plant 5</td>
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<td>Plant 6</td>
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<td>Plant 7</td>
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<td>Plant 8</td>
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<td>Plant 9</td>
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<td>Plant 10</td>
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<td>Plant 11</td>
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<td>Plant 12</td>
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<tr>
<td>Plant 13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant 14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Heterogeneous gross margin dynamics among Divisions call for differentiated self-help programs, increased overhead costs require Group-wide approach.

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

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

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

Monitoring of German automotive plant productivity intensified based on flex-rate tracking.
Conclusion and Q&A

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

### Group Guidance

<table>
<thead>
<tr>
<th></th>
<th>Previous Guidance FY 2019</th>
<th>New Guidance FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales growth</strong></td>
<td>1 - 3%</td>
<td>-1 - +1%</td>
</tr>
<tr>
<td><strong>EBIT margin</strong></td>
<td>8 - 9%</td>
<td>7 - 8%</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>~ EUR 400 mn</td>
<td>EUR 350 - 400 mn</td>
</tr>
</tbody>
</table>

### Divisional Guidance

<table>
<thead>
<tr>
<th></th>
<th>Automotive OEM</th>
<th>Automotive Aftermarket</th>
<th>Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Previous</strong></td>
<td>Previous</td>
<td>New</td>
<td>Previous</td>
</tr>
<tr>
<td><strong>Sales growth</strong></td>
<td>1 - 3%</td>
<td>-2 - 0%</td>
<td>1 - 3%</td>
</tr>
<tr>
<td><strong>EBIT margin</strong></td>
<td>6 - 7%</td>
<td>5 - 6%</td>
<td>15 - 16%</td>
</tr>
</tbody>
</table>

### Market assumptions 2019

- **Automotive OEM:** Decrease of global passenger car production of around -4% (Previously: -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%

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1 FX-adjusted
2 Before special items
3 Before cash in- and outflows for M&A activities
4 As of March 6th, 2019
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