

IR release

Schaeffler accelerates transformation

- **“Mobility for tomorrow” strategy confirmed; E-Mobility, Industry 4.0, and Digitalization as key opportunities for the future**
- **E-Mobility becomes separate business unit within the Automotive division; Industrial division to combine mechatronic activities and service business into organizational unit “Industry 4.0”**
- **Change to new powertrain technologies addressed proactively; meanwhile eight series contracts received for electric axles and hybrid modules; Automotive Aftermarket with strong growth potential**
- **Industrial division sees continuously growing market for Industry 4.0 applications**
- **China remains key growth driver; doubling of sales planned over the next five years**
- **Financial Ambitions 2020 confirmed; average sales growth of 4-6 percent p.a. and EBIT margin of 12-13 percent before special items in 2020 targeted**

BÜHL, July 20, 2017. The global automotive and industrial supplier Schaeffler presented and explained its strategic direction and long-term growth perspectives today at this year’s Capital Markets Day which took place in Bühl with some 40 analysts and investors in attendance. Starting point was the strategy “Mobility for tomorrow” announced last year and the proven model of an integrated automotive and industrial supplier with strong manufacturing expertise and systems know-how.

At the beginning of the event, Klaus Rosenfeld, CEO of Schaeffler AG, explained the cornerstones of the strategy “Mobility for tomorrow” with its three key opportunities for the future – E-Mobility, Industry 4.0, and Digitalization – which are to develop into important growth drivers from 2020. He announced that the Schaeffler Group intends to create an independent E-Mobility business division as of January 1, 2018 to bring together

all the products and system solutions for hybrid and pure battery electric vehicles. It has also been decided to set up a competence center for E-Mobility in China, alongside the existing German units, to accommodate the increasing importance of the Chinese market in the field of E-Mobility. In the Industrial division, all mechatronics business plus the digitally driven service business opportunities are also to be combined in an independent organizational unit "Industry 4.0" from January 1, 2018 to tap additional growth potential.

Addressing analysts and investors present at the event, Klaus Rosenfeld said: "We are currently experiencing a very dynamic market und competitive environment which is closely associated with far-reaching changes both in the automotive and industrial businesses. If we want to actively shape the change around us, we need to accelerate our own transformation. As such, and as part of our 'Mobility for tomorrow' strategy, we regard E-Mobility, Industry 4.0, and Digitalization as key opportunities for the future."

Klaus Rosenfeld went on to explain the key points of the equity story of Schaeffler as a technology group which is based on three essential drivers: (1) above market sales growth in the Automotive division, (2) continuous profitability improvement in the Industrial division, and (3) strong free cash flow generation to finance further organic growth. At the end of his presentation, he confirmed the outlook for the financial year 2017 released as part of the ad-hoc announcement of June 26 and reinforced the Financial Ambitions for 2020.

In the second part of the event, Matthias Zink, together with Prof. Dr. Peter Pleus, CEOs of the Automotive division, presented the current position regarding the expansion of E-Mobility and confirmed that the Schaeffler Group will address the impending change in new powertrain technologies proactively and with a great deal of confidence. In the Automotive division, the number of customer projects and series contracts for E-Mobility products is continuously increasing. Meanwhile, the Schaeffler Group has received eight series contracts for electric axles and hybrid modules from different customers worldwide. Matthias Zink said: "The sales potential of these contracts amounts to over one billion euros. The share of sales incorporating products and systems for hybrid vehicles and pure battery electric vehicles is expected to be at least 15 percent of the total sales of the Automotive OEM business in 2020."

By 2020, the company expects to outperform global growth of the automotive market by around 4 percentage points per year. This assessment is underpinned by the order intakes of the division, which have been significantly higher than the sales figures in the previous years.

Michael Söding, President of the Automotive Aftermarket business division located in Langen, explained the business model and the future opportunities for his business division. Schaeffler has an optimistic view of the future for the automotive aftermarket business as well. “The annual growth in the vehicle car park and the increasing complexity of vehicles are securing us enormous growth opportunities in the spare parts business. We are aiming to achieve an annual sales growth of at least 4 percent by 2025.”

In the Industrial division that Dr. Stefan Spindler, CEO Industrial presented in the fourth part of the event, alongside the component business, systems and mechatronic products gain more and more importance. In addition, the company sees a steadily growing market for Industry 4.0 applications. Dr. Spindler explained: “We want to consistently increase our content per application in the field of Industry 4.0 solutions. We are targeting to achieve around 10 percent of our sales in 2022 from Industry 4.0-related products and solutions.”

At the end of the event, Dr. Yilin Zhang, Regional CEO Greater China, elaborated on the strategic direction and the growth opportunities for the Schaeffler Group in China where it has 11,300 employees and eight plants. The average growth for the Schaeffler Group in China in recent years has been more than 20 percent per annum, and the company is one of the leading technology partners for local and international automotive and industrial companies. The company’s prospects for growth in the next few years in the Greater China region remain very promising, particularly in the field of E-Mobility where China is rapidly becoming the world’s leading market. Three of the series contracts for electric axles and hybrid modules have been acquired in China. In the 2016 financial year, sales in the Greater China region were approximately 2.0 billion euros, which corresponds to around 15 percent of total group sales. Dr. Yilin Zhang, CEO Greater China, added: “The Schaeffler Group in China is very well positioned. We are planning to double sales in the region in the next five years and to continue to increase our percentage of total group sales from its current level of around 15 percent.”

Schaeffler confirmed its Financial Ambitions for 2020 at this year's Capital Markets Day. The company is expecting to achieve an average organic sales growth of 4-6 percent p.a. by 2020 as well as generating an EBIT margin of 12-13 percent before special items in 2020 and a free cash flow of around 900 million euros in 2020. On this basis, the earnings per share will be around 2.00 euros in 2020. Furthermore, the intention is to further improve the balance sheet quality by 2020 and pay a dividend to shareholders amounting to 30-40 percent of the net income.

Klaus Rosenfeld closed the event saying: "As a listed family company and one of the leading technology businesses, we are in an excellent position to actively shape "Mobility for tomorrow" for the benefit of our customers and business partners. We are thinking long-term and look into the future with optimism. We want to continue to grow profitably, based on our four corporate values: sustainable, innovative, excellent and passionate."

The presentation documents for the Schaeffler Group Capital Markets Day are available on the company's internet pages.

About Schaeffler

The Schaeffler Group is a globally active automotive and industrial supplier. Highest quality, outstanding technology, and strong innovative ability represent the basis for the Schaeffler Group's lasting success. Its precision components and systems for engines, transmissions, and chassis as well as rolling and plain bearing solutions for numerous industrial applications make the Schaeffler Group a key contributor to "Mobility for tomorrow". The technology company generated sales of approximately 13.3 billion euros in 2016. With around 86,600 employees, Schaeffler is one of the world's largest companies in family ownership. It has a worldwide network of manufacturing locations, research and development facilities, and sales companies at approximately 170 locations in over 50 countries.

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