1 Overview

2 Background

3 Strategy “Mobility for tomorrow”

4 Excellence program “Agenda 4 plus One”

5 Outlook
1 Overview

Schaeffler in facts – Strong starting point

- **Strong customer base** with around **11,800** customers
- **Strong organic growth** at 5% p.a.
- **Sales growth** 2006-2016
- **More than 2,300** patents filed in 2016
- **Around 86,600** employees worldwide
- **High outcome quality** 12.7% EBIT margin in 2016\(^1\)
- **More than 170** locations in 50 countries
- **1.1 m** tons of processed steel p.a.
- **75** plants
- **17** R&D centers
- Far more than **10,000** different products

\(^1\) Before one-off effects
1 Overview

Chronology 2009-2016 – Foundation for further profitable growth

- Restructuring and transformation phase finalized
- “One Schaeffler” implemented in 2013 – 2015
- New corporate and capital structure implemented
- “Mobility for tomorrow” strategy concept established
- Vision, mission, corporate values and brand promise defined
- Received Investment Grade rating

Sustainable profitable growth is the overall objective
1 Overview
Starting point for developing our strategic direction – Four megatrends

- **Climate change**
  - Greenhouse-gas emissions drive global warming – highest CO₂ concentration since beginning of measurement, automotive industry as one of the main drivers
  - Focus on limiting climate changes and preservation of natural resources; the Paris agreement as a common, worldwide base

- **Urbanization**
  - Strong growth of megacities, by 2025 ~60% of global population (~4.5 bn people) will live in cities; number of cities with >10 m citizens will rise to 35
  - New solutions for infrastructure and mobility required

- **Globalization**
  - Significant increase in global trade worldwide in the last few years, increasing number of globally fragmented value chains, mobility as a driver of growth and wealth
  - Establishing stronger ties across borders as well as affordable mobility are important drivers

- **Digitalization**
  - Increasing digital connection between machines and products as well as between companies, suppliers and customers, by 2020 ~30 bn objects will be connected via the internet and will generate ~10% of all data
  - Transformation of business models and processes, emergence of new interfaces and intelligent products
1 Overview
Basis for strategic direction – Four focus areas

**Eco-friendly drives**
- Optimized combustion engine
- Electric vehicles
- Industrial drives

**Interurban mobility**
- Rail vehicles
- Aircraft
- Off-highway

**Urban mobility**
- Two-wheelers
- Inner-city railways
- Micro mobiles

**Energy chain**
- Wind power
- Solar power
- Conventional power generation

*Mobility for tomorrow*
"Mobility for tomorrow" strategy defined – communication on November 9, 2016

**Chronology 2009 – 2016**

- **2009 – 2011**: "Restructuring"
- **2012 – 2015**: "Transformation"
- **2016 – 2020**: "Profitable growth"
- **> 2020**: Sustainable profitable growth

**Strategy Dialogue**

- **29 February**: Kick-off Strategy Dialogue
- **March– June**: Strategy Workshops
- **11 – 13 July**: Strategy Dialogue 2016
- **20 July**: Capital Markets Day
- **August – September**: Global Challenge & Feedback Meetings
- **6 – 7 October**: Strategy meeting Supervisory Board
- **17 – 19 October**: Planning Dialogue 2016
- **8 November**: Press Conference
- **9 November**: Communication Strategy
“We are a precision mechanic with best-in-class manufacturing and system expertise.”
### Growth Drivers

<table>
<thead>
<tr>
<th>Electrification</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Stricter global (CO₂ emissions) regulations</td>
<td><strong>Gradual shift toward (purely) electric drives with hybrids serving as transitional technology</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Autonomous driving</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Vision of accident-free driving</td>
<td><strong>Gradual shift towards (semi-)autonomous driving</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Connectivity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increasing integration of vehicles and software expertise as crucial success factor</td>
<td><strong>Vehicle as communication hub for connected mobility</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Added value of automotive suppliers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increasingly supply modules/systems rather than individual components</td>
<td><strong>Systems business requires collaboration and an increasing willingness to cooperate</strong></td>
</tr>
</tbody>
</table>
2 Background
Automotive – Market growth driven by new technologies

Key aspects
- Continuous market growth expected for the next years
- Future growth based on increasing production of hybrid and electro vehicles, in 2025 >25% of the market, accelerated scenario possible
- Decrease of amount of vehicles with conventional engine expected from 2020
- Global fleet today >1 bn vehicles – importance of aftermarket grows

Global production volume 1)
in millions of units

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2015</th>
<th>2020e</th>
<th>2025e</th>
<th>2030e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battery electric engines (27%) 3)</td>
<td>74</td>
<td>89</td>
<td>13%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>Hybrid engines (19%) 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal combustion engines (-1%) 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAGR 2010/2030</td>
<td>98%</td>
<td>97%</td>
<td>85%</td>
<td>72%</td>
<td>53%</td>
</tr>
<tr>
<td>CAGR 2015/2030</td>
<td>13%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IHS, LMC Automotive, Schaeffler Group projections

1) Annually expected global production volume, automobiles/small utility vehicles in millions of units
2) Schaeffler estimates
3) CAGR 2015/2030
4) CAGR 2010/2030

New technologies drive market growth
2 Background

Industrial – Four growth drivers

**Growth drivers**

**Energy efficiency**
- Increasing importance of efficient drive technologies
- Conventional drivetrains (hydraulics, combustion engines) increasingly being replaced/complemented by electric drives

**Innovation**
- Highly innovative technologies for continuous improvement of conventional products
- Surface coatings to improve machine "uptime" and minimize friction

**Industry 4.0**
- Usage opportunities Internet of Things, development of an Industry 4.0 series machine with focus on predictive maintenance
- Smart sensor technology to optimize maintenance intervals and setup times

**Service business**
- Greater market penetration in Services sector by optimizing product portfolio
- Expansion of digital service solutions
2 Background

Industrial – Stagnating market growth

Key aspects

- Global roller bearing market stagnates considering price declines (CAGR 2015/2020 ~0.5% p.a.)
- Wind and aerospace with biggest growth rates, but small basis
- Nominal biggest growth in segments of power transmission and industrial automation
- Strongest regional growth in emerging nations (MEA/India, South East Asia, South America) expected

Global market volume

in EUR bn

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2015</th>
<th>2020e</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ 2.1% p.a. / + 0.5% p.a. 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Aerospace (3.2%) 3)
- Two-wheelers (1.6%) 3)
- Wind (3.3%) 3)
- Rail vehicles (2.1%) 3)
- Off-highway vehicles (2.6%) 3)
- Raw materials (1.9%) 3)
- Power transmission (2.2%) 3)
- Industrial automation (1.8%) 3)

1) Global market for plain and roller bearings, linear technology, and service products
2) CAGR 2015/2020 adjusted; 1st value: constant prices; 2nd value: with price drop factored in
3) CAGR 2015/2020 – growth rates based on external forecasts and our own estimates
(Basis: Oxford Economics Industrial Products Classification)
“We want to contribute to make the world a little cleaner, safer and smarter.”
3 Strategy “Mobility for tomorrow”

Our strategy concept – 4 essential elements

A Vision/Mission

B Strategic pillars

- Preferred technology partner
- Automotive and industrial supplier
- A global player with local presence
- Components and systems
- E-Mobility, Industry 4.0, and digitalization
- Quality, efficiency, and delivery performance
- Attractive employer
- Global family business

C Excellence program “Agenda 4 plus One”

- Customer focus
- Operational excellence
- Financial flexibility
- Leadership and talent management
- Long-term competitiveness and value creation

D Financial Ambitions 2020

- Sales growth
- EBIT margin
- Free cashflow
- Earnings per share
- Gearing ratio
- Dividend
Mission

“Guided by the values of a global family business, we work closely together with our customers as true partners to deliver a compelling value proposition through our best-in-class expertise in manufacturing technology and systems know-how. In doing so, we contribute to the success of our customers, the advancement of our employees, and the prosperity of our society.”

Vision

“As a leader in technology, we combine a passion for innovation with the highest standards of quality to shape the future of mobility – for a world that will be cleaner, safer, and smarter.”
B 8 strategic pillars – Our strategic framework

1. We want to be the preferred technology partner for our customers.

2. We are an Automotive and Industrial supplier.

3. We are a global company with a local presence throughout the world.

4. We produce components and systems.

5. We view E-Mobility, Industry 4.0, and Digitalization as key opportunities for the future.

6. We strive for the highest possible quality, efficiency, and delivery performance.

7. We want to be an attractive employer.

8. We live by the values of a global family business.
We want to be the preferred technology partner for our customers

Top 10 Automotive customers

- Portfolio of products and services

Top 10 Industry customers

- Portfolio of products and services

Customer focus through cooperative collaboration

Our customers are our top priority

Expertise in systems and manufacturing technology as key differentiating factors

Share in sales:
- Automotive: 60%
- Industry: 15%
3 Strategy “Mobility for tomorrow”

2 We are an automotive and industrial supplier

- **Automotive**
  - **Production**
  - **Technology**
  - **Sourcing**
  - **Diversification**

- **Industry**
  - Global production network
  - BCT as internal supplier of roller bearings with strong expertise for both markets
  - Global research network
  - Central coordination of all R&D activities
  - Utilization of economies of scale
  - Continuous cost savings
  - Different economic cycles
  - Compensation development of sales

---

**Integrated concept**

enables synergy effects, know-how transfer and capacity compensation

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1) Bearing & Components Technologies

11/08/2016

Strategy "Mobility for tomorrow"
We are a global player with local presence

### Production and R&D locations by region

#### Europe
- 48 plants
- 9 R&D centers
- 96% produced inside of the region
- 4% produced outside of the region

#### Greater China
- 8 plants
- 1 R&D center
- 68% produced inside of the region
- 32% produced outside of the region

#### Americas
- 14 plants
- 4 R&D centers
- 71% produced inside of the region
- 29% produced outside of the region

#### Asia/Pacific
- 5 plants
- 2 R&D centers
- 41% produced inside of the region
- 59% produced outside of the region

Consistent **localization** as crucial success factor
We produce components and systems

Key aspects

- Components and mechanical systems are our core competence with significant sales contribution and target – continuous optimization and technology expansion
- Systems expertise allows for diversification and additional growth through system and service offerings
  - Mechatronic systems for growing markets, such as E-Mobility and Industry 4.0
  - Automotive aftermarket and service business of Industrial division

Focus on components and systems
3 Strategy “Mobility for tomorrow”

We view E-Mobility, Industry 4.0, and Digitization as key opportunities for the future.

**E-Mobility**
- More than 15 years composition competence for future drivetrain concepts
- Expertise in engine, transmission, and chassis form the basis for ideal system solutions
- Production competence and mechanic know-how, integration and vehicle/drivetrain section as important differentiating factor

**Industry 4.0**
- Machine 4.0 combines existing technologies with new intelligent components – from sensor to cloud
- Bearings are equipped with sensors, thereby becoming data providers
- Innovation project with DMG Mori started in 2015

**Digitalization**
- Digital Agenda with 4 elements
- Equipping components with digital intelligence and sensor technology
- Digitization of internal processes and equipment as a means to improve productivity

**Digital World**

**Real World**

**Digital Agenda**

Advanced business models
- Products & Services
- Machines & Processes
- Analyses & Simulation
- User Experience & Customer Value

Digital Platform
- Big Data
- Information Model
We strive for the highest possible quality, efficiency, and delivery performance

Quality
- Comprehensive quality management with group-wide guidelines and processes
- “Zero defects” principle at all Schaeffler locations
- Continuous improvement through programs “Fit for Quality” and “MOVE”

Key aspects
- Continuously ensure high level of quality with respect to products, technology, processes and starting
- Continuous optimization efficiency and production costs
- Optimizing delivery performance in order to increase customer loyalty

Delivery reliability
- On time delivery in %
- Further improvement of delivery reliability through the “Integrated Planning” program
- Optimizing Logistic (e.g. EDZ Kitzingen)
- Improvement of sourcing quality (raw material and parts) through intensive supplier management
### Key aspects

- Internationalization and professionalization of HR function based on a global HR Vision and Mission
- Strengthening the domestic and foreign perception as an attractive employer
- Development of a professional and familial work environment that motivates and promotes employees
- Extending and modernizing Schaeffler's comprehensive training offerings
- Adjusting the leadership understanding to Schaeffler's strategic direction and corporate values

### 3 Strategy “Mobility for tomorrow”

#### We want to be an attractive employer

<table>
<thead>
<tr>
<th>Schaeffler HR Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Workforce Planning</strong></td>
</tr>
<tr>
<td>Optimize strategic workforce planning to preemptively identify personnel gaps</td>
</tr>
<tr>
<td><strong>Employer Branding &amp; Recruiting</strong></td>
</tr>
<tr>
<td>Strong brand equity for Schaeffler as an employer based on a comprehensive strategy for employer branding and recruiting</td>
</tr>
<tr>
<td><strong>Talent Management</strong></td>
</tr>
<tr>
<td>Identification of talents and development of all employees based on a globally consistent and standardized approach</td>
</tr>
<tr>
<td><strong>Training &amp; Learning</strong></td>
</tr>
<tr>
<td>All employee training programs are globally consolidated within the “Schaeffler Academy” – from apprentice to TOP manager</td>
</tr>
<tr>
<td><strong>Leadership &amp; Corporate Values</strong></td>
</tr>
<tr>
<td>Implementation of a modern and globally valid leadership concept based on our corporate values</td>
</tr>
</tbody>
</table>

### HR Organization

- Differentiation and definition of roles and responsibilities within the HR organization
- Implementation of a standardized process and systems landscape within the scope of a functional and well-coordinated HR organizational model
- Strengthening the understanding as a global HR function with different regional challenges
- Implementation of the global HR strategy through well-coordinated initiatives and projects
- Implementation of the HR initiatives within the Agenda 4 plus One: “Leadership & Corporate Values”, “Qualification for Tomorrow”, and “New Work”
3 Strategy “Mobility for tomorrow”

8 We live by the values of a global family business

Sustainable
A long-term view and continuity will foster the growth of the Schaeffler Group, thereby enabling a future worth living.

Innovative
For (nearly) every problem there is a solution. If not, we will create one!

Passionate
Our biggest driver is our passion for innovative technologies and joint success with our customers.

Excellent
We develop solutions that are of the highest quality based on our extensive expertise.
“Every strategy is only as good as its implementation.”
Strategy Dialogue 2016 – Excellence program “Agenda 4 plus One” defined

**Group initiatives**

**Core business**

- Schaeffler Portfolio
  - Engine Systems
  - Transmission Systems
  - Chassis Systems
  - Automotive Aftermarket

2013 – 2015

- "One Schaeffler"
  - 1st Program

**Strategic initiatives**

- 400 different initiatives identified (Divisions/Functions/Regions)
- Initiatives categorized and evaluated
- 16 strategic initiatives prioritized

2016 – 2020

- "Agenda 4 plus One"
  - 2nd Program

**Agenda 4 plus One**

1. **Customer focus**
2. **Operational excellence**
3. **Financial flexibility**
4. **Leadership & Talent management**

**Long-term competitiveness and value creation**

Core business Schaeffler Portfolio

- Engine Systems
- Transmission Systems
- Chassis Systems
- Automotive Aftermarket

2013 – 2015

- "One Schaeffler"
  - 1st Program

2016 – 2020

- "Agenda 4 plus One"
  - 2nd Program

Strategy "Mobility for tomorrow"
Agenda 4 plus One

1. **Customer focus**  
   - Long-term competitiveness and value creation

2. **Operational excellence**

3. **Financial flexibility**

4. **Leadership & Talent management**  
   - plus One

### Initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Sponsor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Customer Excellence</td>
<td>Prof. Pleus / Dr. Spindler</td>
</tr>
<tr>
<td>2. E-Mobility</td>
<td>Prof. Gutzmer</td>
</tr>
<tr>
<td>3. Industry 4.0</td>
<td>Dr. Spindler</td>
</tr>
<tr>
<td>4. Quality for Tomorrow</td>
<td>Rosenfeld</td>
</tr>
<tr>
<td>5. Global Footprint</td>
<td>Jung</td>
</tr>
<tr>
<td>6. Factory for Tomorrow</td>
<td>Dr. Hauck</td>
</tr>
<tr>
<td>7. Shared Services</td>
<td>Rosenfeld</td>
</tr>
<tr>
<td>8. Process Excellence</td>
<td></td>
</tr>
<tr>
<td>9. Working Capital</td>
<td>Dr. Hauck</td>
</tr>
<tr>
<td>10. Leadership &amp; Corporate Values</td>
<td>Schittenhelm</td>
</tr>
<tr>
<td>11. Qualification for Tomorrow</td>
<td>Schittenhelm</td>
</tr>
<tr>
<td>12. New Work</td>
<td>Schittenhelm</td>
</tr>
<tr>
<td>13. Program CORE</td>
<td>Dr. Spindler</td>
</tr>
<tr>
<td>14. Digital Agenda</td>
<td>Prof. Gutzmer</td>
</tr>
<tr>
<td>15. IT 2020</td>
<td>Prof. Gutzmer</td>
</tr>
<tr>
<td>16. Global Branding</td>
<td>Rosenfeld</td>
</tr>
</tbody>
</table>
# Financial Ambitions for 2020 – Sustainable value creation

## 6 substantial figures

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth(^1)</td>
<td>Ø 4 – 6% p. a. (FX-adjusted)</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>12-13% p.a. before one-off effects</td>
</tr>
<tr>
<td>Free cashflow(^1)</td>
<td>~900 million in 2020</td>
</tr>
<tr>
<td>Earnings per share(^1)</td>
<td>~ € 2.00 per share in 2020</td>
</tr>
<tr>
<td>Gearing ratio(^2)</td>
<td>&lt; 75% in 2020</td>
</tr>
<tr>
<td>Dividend(^3)</td>
<td>30 – 40% of Net income</td>
</tr>
</tbody>
</table>

\(^1\) Excluding external growth  
\(^2\) Net-debt-to-equity ratio (excluding pensions)  
\(^3\) Payout ratio based on net income

### Market assumptions

- Automotive industry: Global growth in car production of 2%  
- Industry: Low single digit growth in global industrial production

## Overriding objective

Long-term profitable growth and sustainable value creation
How we interact together – Transparency, Trust and Teamwork

Our approach

One global brand
One action plan
One consistent compensation system
Four common corporate values

Our principles

Transparency
Commitment
Performance
Passion
Trust
Teamwork

4 Excellence program “Agenda 4 plus One”

Strategy "Mobility for tomorrow"
5 Outlook

Summary – Key messages

1. Schaeffler Group strategy defined following intensive dialogue with leadership team
2. Analysis of megatrends and definition of 4 focus areas
3. Vision, mission, and four corporate values of Schaeffler Group formulated
4. Eight strategic pillars define future scope for action
5. Excellence program "Agenda 4 plus One" with 16 strategic initiatives defined
6. Financial Ambitions 2020 revised
7. Transparency, Trust and Teamwork as key leadership principles
Because yesterday we were already thinking about tomorrow.