



Schaeffler AG

Pre-Release Q2 2017 Results

July 18, 2017
Analyst and Investor Conference Call

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1 Overview

2 Preliminary Financial Results Q2 2017

3 Outlook

Executive Board strengthened – New Head of IR

Dietmar Heinrich

as of
Aug 1, 2017



- ▶ New CFO replacing Dr. Ulrich Hauck
- ▶ 22 years of experience with Schaeffler as CFO Asia Pacific, CFO Europe, CEO Europe
- ▶ Strong focus on operating business and performance management

Jürgen Ziegler

as of
Aug 1, 2017



- ▶ New Regional CEO Europe succeeding Dietmar Heinrich
- ▶ With Schaeffler since 2015; before various leadership positions at Daimler
- ▶ Long-standing experience in restructuring and transformation projects (Turnaround Schaeffler South America, Program CORE)

Renata Casaro

as of
Oct 1, 2017



- ▶ New Head of IR succeeding Christoph Beumelburg
- ▶ Joins Schaeffler on October 1, 2017 from Henkel
- ▶ High profile IR manager with year-long experience in listed family companies

Preliminary Results – Key figures Q2 and H1 2017



Preliminary figures

in EUR mn	H1 2016	H1 2017	y-o-y	Q2 2016	Q2 2017	y-o-y
Sales	6,712	7,046	+3.8% ¹⁾	3,369	3,472	+2.2% ¹⁾
Gross Profit	1,920	1,953	+33	976	921	-55
Gross Profit margin	28.6%	27.7%	-0.9%-pts	29.0%	26.5%	-2.5%
Overhead	-1,046	-1,143	-97	-530	-571	-41
Other income	-15	-17	-2	-8	+8	+16
EBIT adjusted ²⁾	859	780	-9.2%	438	345	-21.2%
EBIT adjusted margin ²⁾	12.8%	11.1%	-1.7%-pts.	13.0%	9.9%	-3.1%-pts.
<i>EBIT adjusted margin ²⁾ Automotive</i>	14.2%	11.8%	-2.4%-pts.	14.1%	10.4%	-3.7%-pts.
<i>EBIT adjusted margin ²⁾ Industrial</i>	8.1%	8.5%	+0.4%-pts.	9.2%	8.4%	-0.8%-pts.
Net Income	494	485	-1.8%	241	206	-14.5%
Free Cash Flow	216	-89	-305	328	41	-287
Free Cash Flow underlying ³⁾	202	47	-155	279	100	-179

1) FX-adjusted

2) Before one-off effects

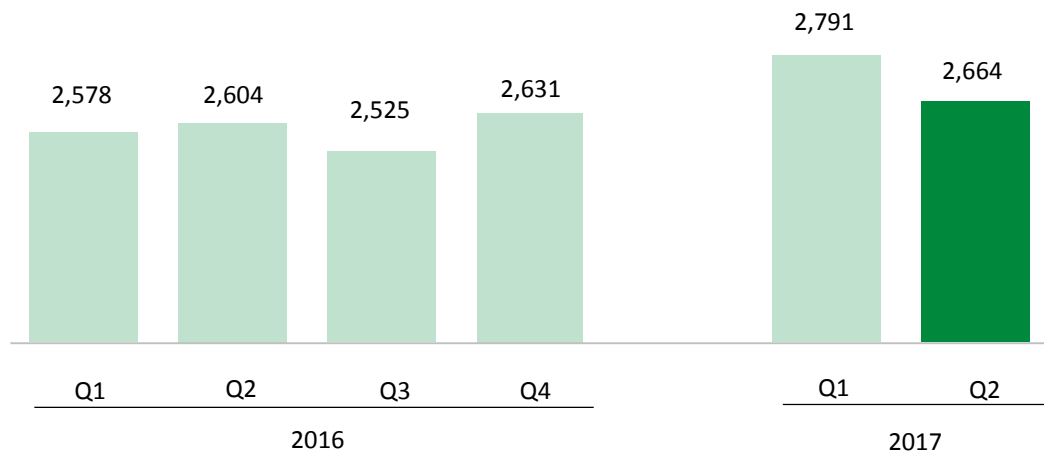
3) Free Cash Flow excluding non-recurring items

Automotive Division – Weak performance in Q2 2017

Preliminary figures

Sales

in EUR mn

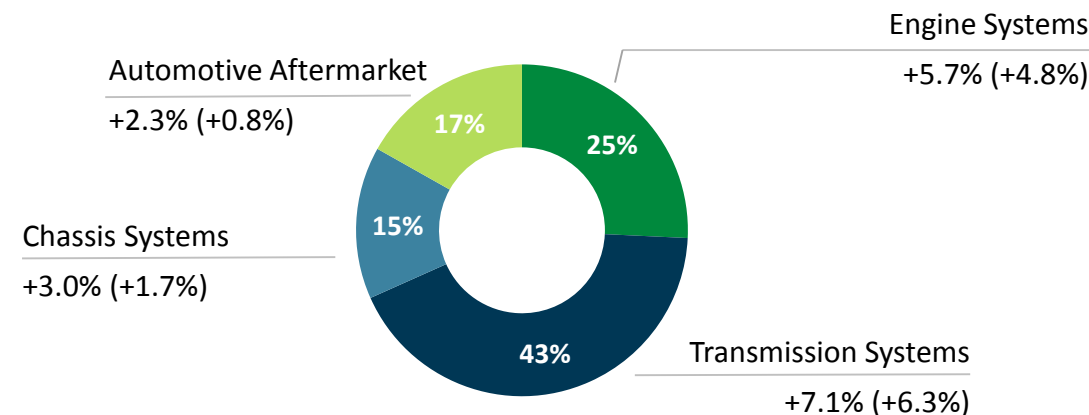


	2016				2017	
Sales	5,182		5,156		5,455	
Growth rates ¹⁾	+5.0%	+5.8%	+5.1%	+8.2%	+7.0%	+1.6%
	+5.4%		+6.7%		+4.3%	
EBIT ²⁾	367	368	362	384	367	277
	735		746		644	
EBIT margin ²⁾	14.2%	14.1%	14.3%	14.6%	13.1%	10.4%
	14.2%		14.5%		11.8%	

1) FX-adjusted 2) Before one-off effects

Sales by business division H1 2017

y-o-y growth (w/o FX effects)



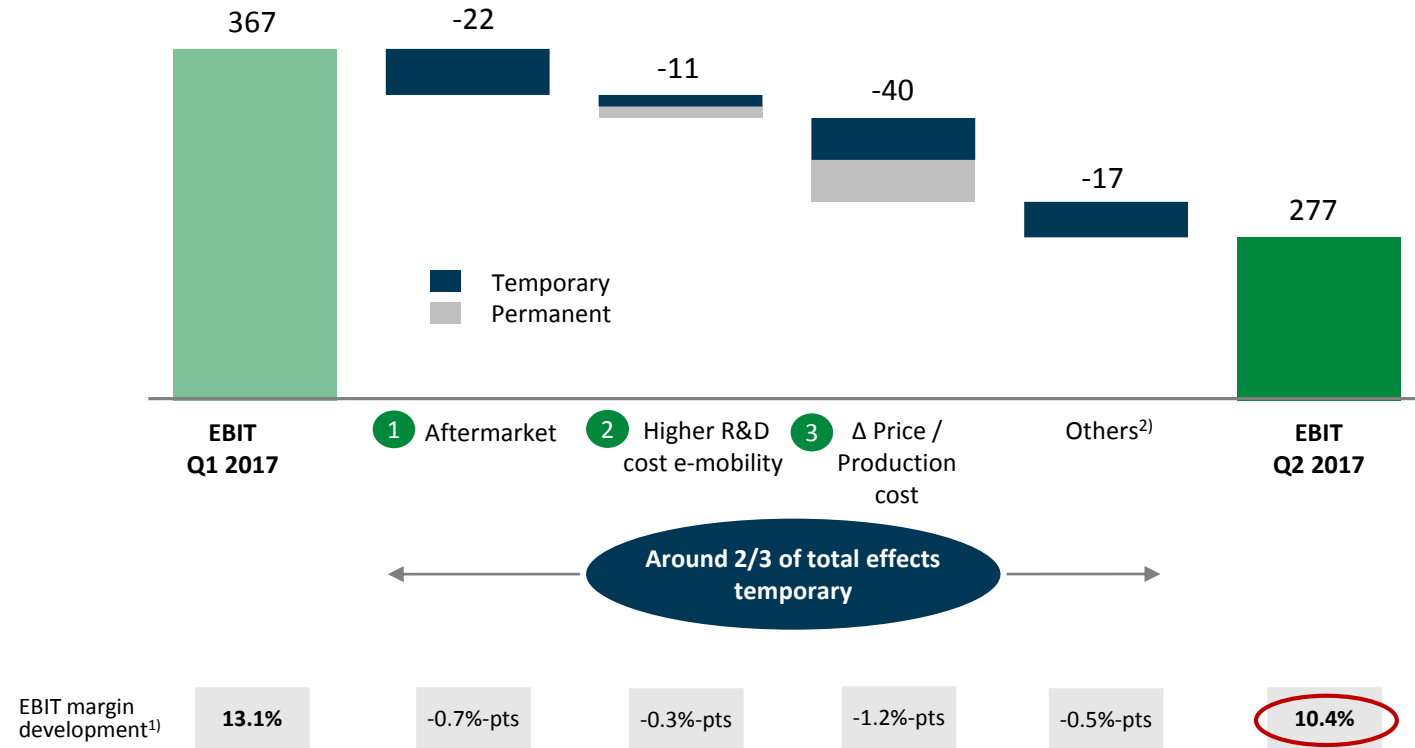
Sales by business division Q2 2017

	Q2 16	Q2 17	y-o-y (w/o FX effects)	Q1 17	Q2 17	q-o-q
Engine	670	684	+1.6%	715	684	-31
Transmission	1,073	1,148	+6.3%	1,185	1,148	-37
Chassis	390	390	-0.7%	408	390	-18
Aftermarket	471	442	-7.5%	483	442	-41
Total	2,604	2,664	+1.6%	2,791	2,664	-127

Preliminary figures

EBIT¹⁾ Q1 2017 vs. Q2 2017

in EUR mn



1) Before one-off effects

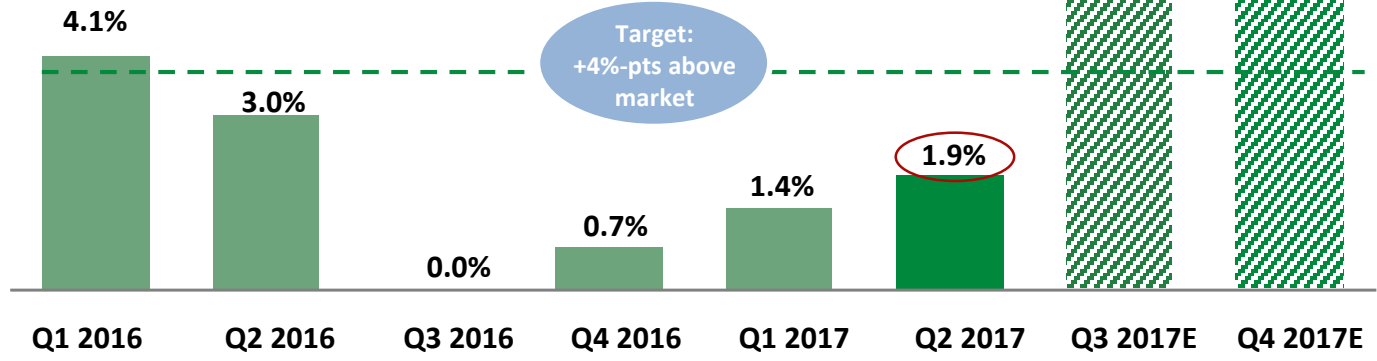
2) Including FX and volumes

Key aspects

- ▶ EBIT Automotive in Q2 2017 EUR 90 mn below Q1 2017
- ▶ Adverse development explained by three main drivers:
 - 1 Supply chain shortages Automotive Aftermarket:
 - ▶ Delayed opening of a logistic center
 - ▶ Bottleneck in supply chain
 - 2 Higher R&D cost e-mobility:
 - ▶ Higher COGS for prototyping and sampling
 - ▶ Below average recovery rate in Q2
 - 3 Δ Price / Production cost:
 - ▶ Continued price pressure could not be compensated by production cost improvements
 - ▶ Higher costs for new product launches
- ▶ Around 2/3 of total EBIT reduction is of a temporary nature

Automotive Division – Outperformance expected to accelerate in H2

Outperformance Q1 2016 – Q4 2017E



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017E	Q4 2017E
Growth rate Automotive ¹⁾	5.0%	5.8%	5.1%	8.2%	7.0%	1.6%		
Light Vehicle Production ²⁾	0.9%	2.8%	5.1%	7.5%	5.6%	-0.3%	2.5%	-0.2%
Growth rate Automotive OEM ¹⁾	4.0%	4.7%	3.9%	7.3%	6.5%	3.5%		

¹⁾ Before FX effects
²⁾ Source: IHS; June 2017

Key aspects

- ▶ Automotive business outperformance 1.9%-pts in Q2 2017 after 1.4%-pts in Q1 2017
- ▶ Negative impact from Automotive Aftermarket in Q2 2017
- ▶ New product launches in OEM business and expected recovery of Automotive Aftermarket business in H2 2017

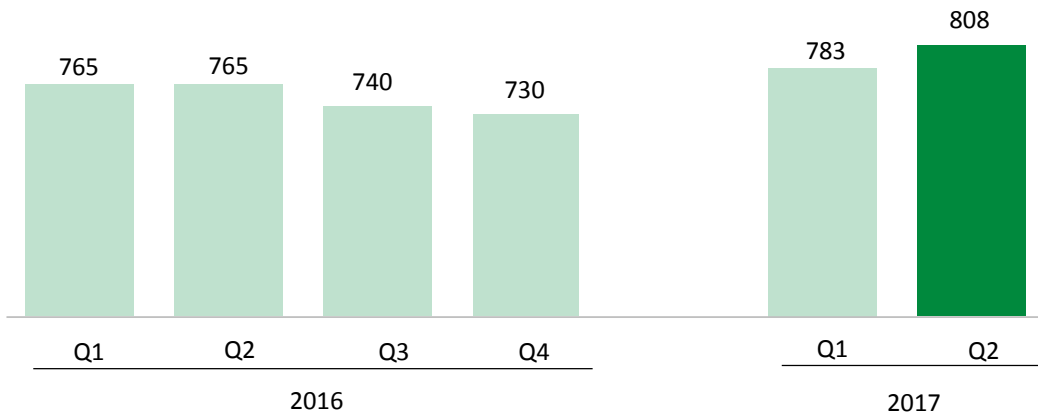
Outperformance expected to accelerate in H2

Industrial Division – H1 2017 stabilized at 8.5%

Preliminary figures

Sales

in EUR mn

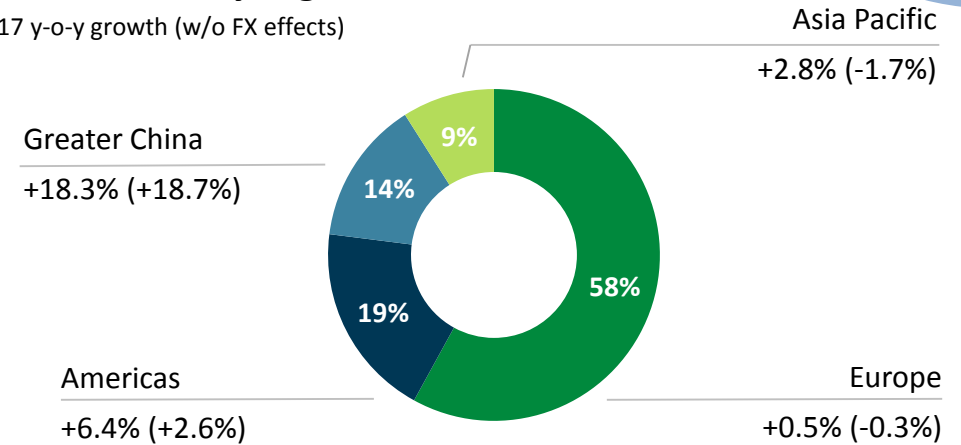


	2016				2017	
Sales	1,530		1,470		1,591	
Growth rates ¹⁾	-5.5%	-4.3%	-6.2%	-3.2%	+0.2%	+4.5%
	-4.9%		-4.7%		+2.3%	
EBIT	54	70	55	40	68	68
	124		95		136	
EBIT margin ²⁾	7.1%	9.2%	7.4%	5.5%	8.7%	8.4%
	8.1%		6.5%		8.5%	

1) FX-adjusted 2) Before one-off effects

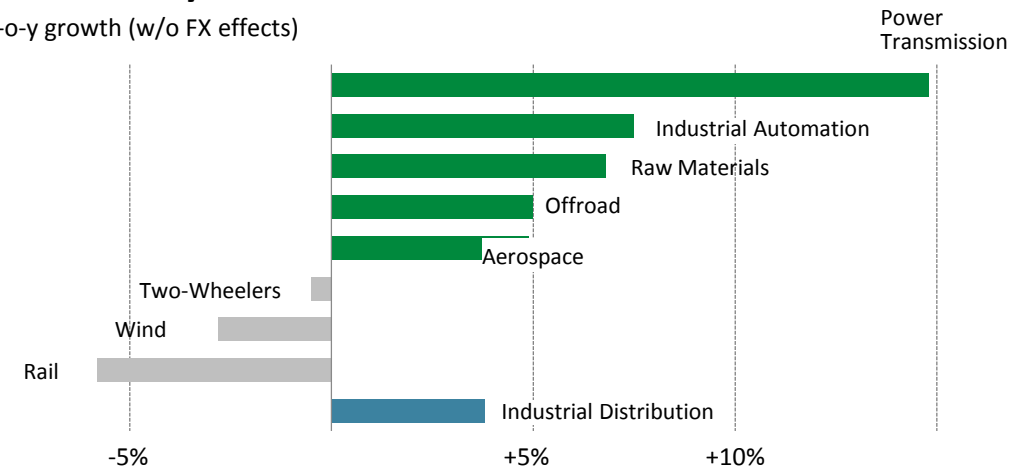
Industrial sales by region

H1 2017 y-o-y growth (w/o FX effects)



Industrial sales by sector cluster

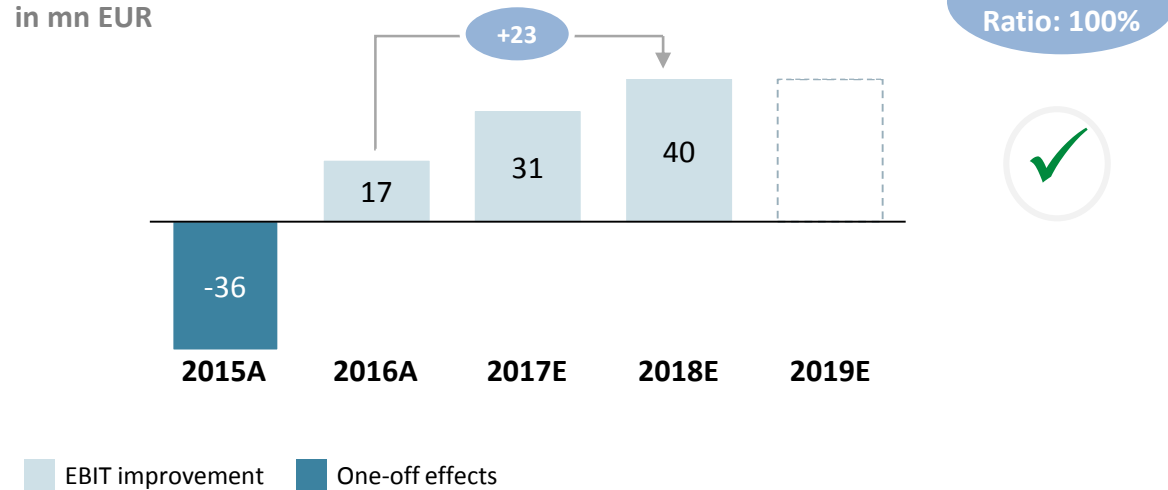
Q2 2017 y-o-y growth (w/o FX effects)



Industrial Division – CORE Wave I and II in execution

Expected EBIT Impact – CORE Wave I

in mn EUR



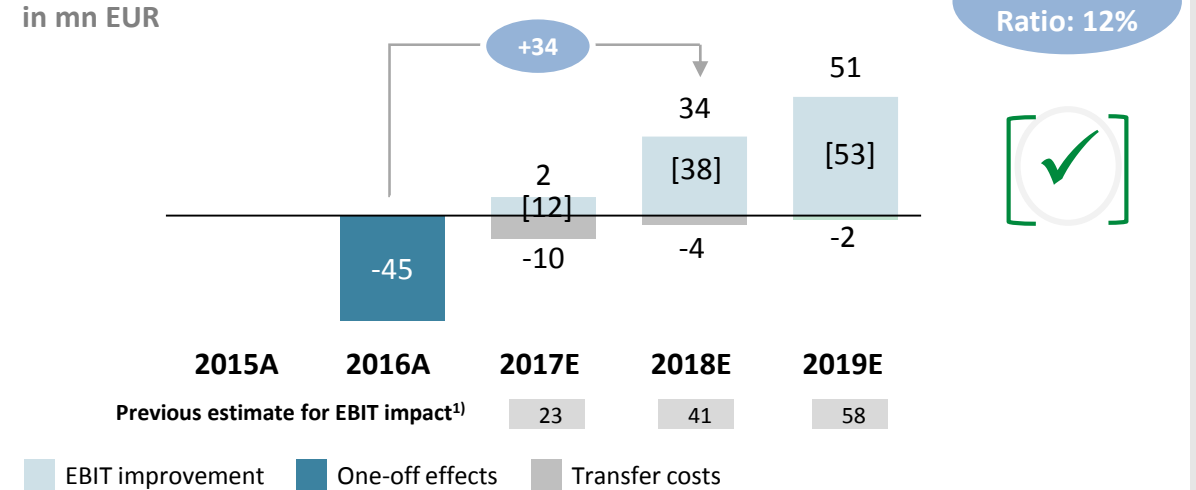
Key aspects

- ▶ CORE Wave I (main focus: overhead cost) successfully concluded (Reduction of 500 HCO mainly in Germany until 12/2017 executed)
- ▶ Headcount target will be achieved in 2017 with full year EBIT impact in 2018
- ▶ EBIT improvement of EUR 23 mn until 2018

¹⁾ As of March 8, 2017 ²⁾ Before revision of CORE Wave II: 500 headcounts

Expected EBIT Impact – CORE Wave II revised

in mn EUR



Key aspects

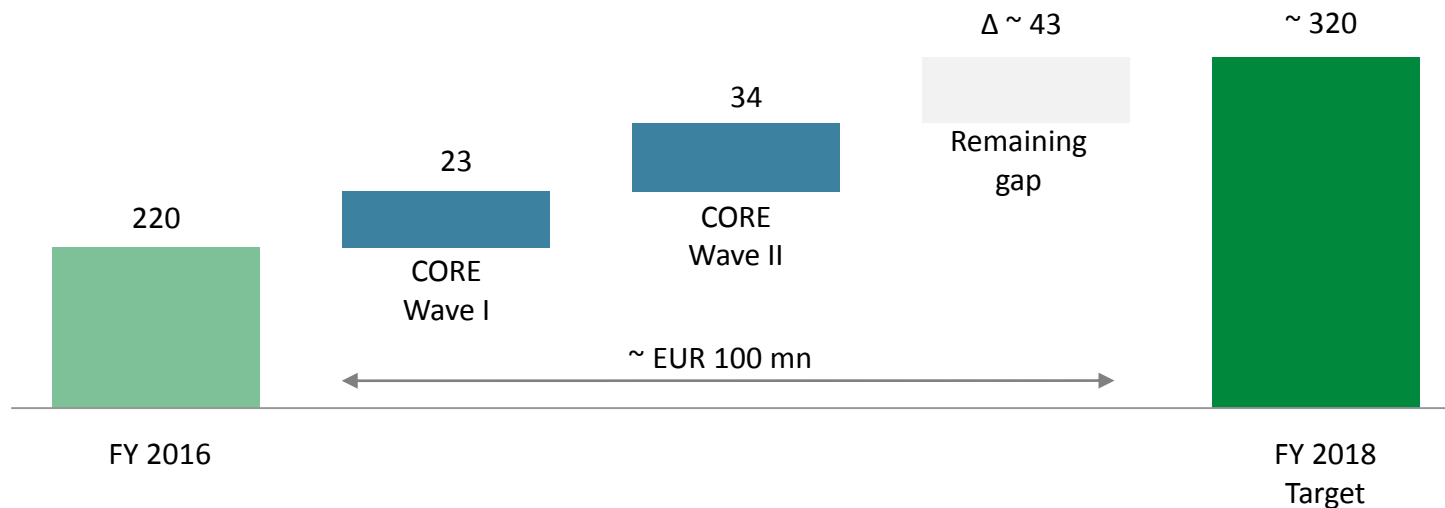
- ▶ CORE Wave II (main focus: Gross Profit improvement) redesigned with overall target unchanged but new composition of subprojects
- ▶ Reduction of 400 HCO ²⁾ in Germany, Europe & other regions planned
- ▶ EBIT improvement of around 34 mn EUR until 2018 to be achieved by structural improvements and further overhead cost reduction

Preliminary figures

EBIT¹⁾ development FY 2016 – FY 2018E

in EUR mn

in EUR mn	H1 2016	H1 2017
Sales	1,530	1,591
EBIT	124	136
EBIT Margin	8.1%	8.5%



1) Before one-off effects 2) Restated and FX-adjusted

Key aspects

- ▶ EBIT gap of around EUR 100 mn from FY 2016 to FY 2018
- ▶ CORE Wave I and Wave II on track to deliver EUR 57 mn contribution to necessary EBIT improvement
- ▶ Remaining EBIT gap of EUR around 43 mn to be closed through volume growth, better mix and, if necessary, additional measures

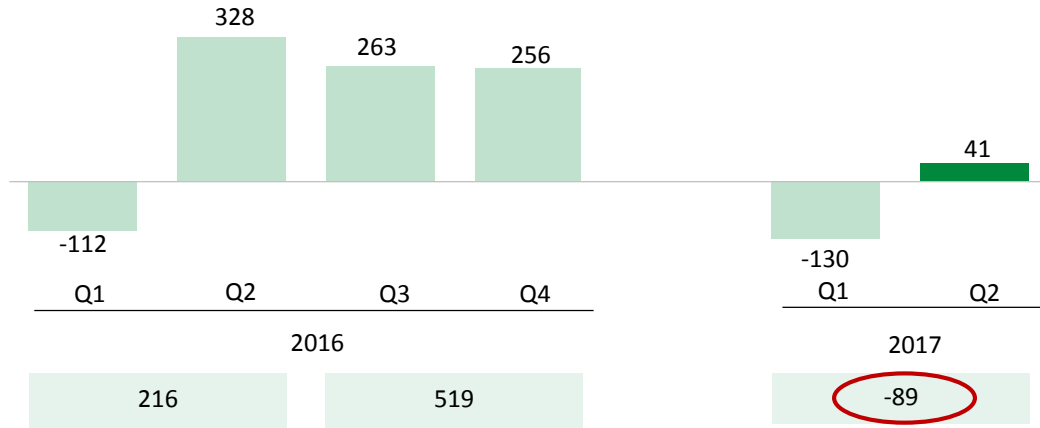
On track to achieve EBIT Margin target of 10-11% in 2018

Free Cash Flow H1 2017 EUR -89 mn – Significant impact from non-recurring items

Preliminary figures

Reported Free Cash Flow

in EUR mn



Free Cash Flow – non-recurring items

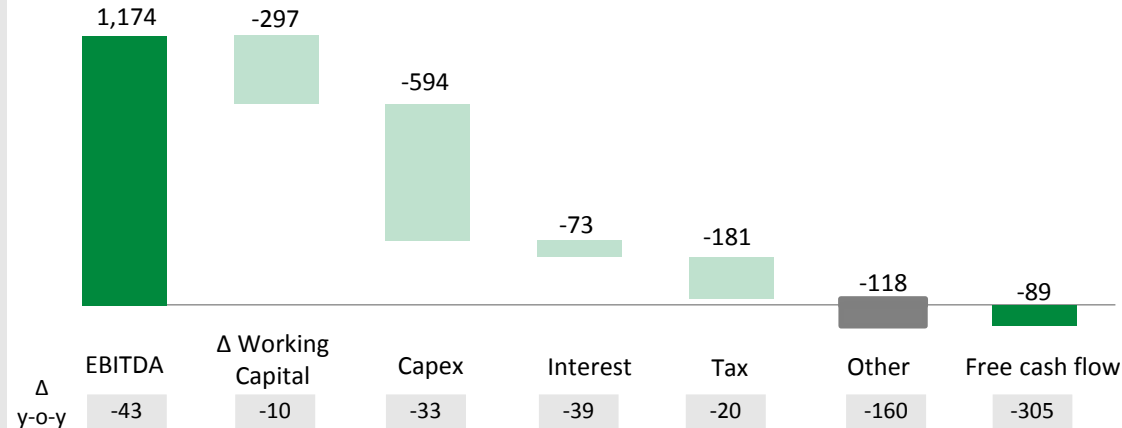
in EUR mn

	Q1'16	Q2'16	H1'16	Q3'16	Q4'16	Q1'17	Q2'17	H1 '17
FCF Reported	(112)	328	216	263	256	(130)	41	(89)
non-recurring items	1	-	(68)	38	23	-	13	13
	2	28	10	38	2	44	7	37
	3	3	7	10	4	6	9	8
	4	-	-	-	-	-	20	(1)
	5	4	2	6	1	9	22	18
	6	-	-	-	-	(2)	19	(16)
Total	35	(49)	(14)	45	80	77	59	136
FCF Underlying	(77)	279	202	308	336	(53)	100	47

Δ EUR 150 mn non-recurring items

Free Cash Flow bridge H1 2017

in EUR mn



- 1 Impact from financing transactions
- 2 One-off payments for legal cases
- 3 One-Off payments for restructuring measures
- 4 Timing effects regarding taxes/VAT
- 5 One-off capex projects
- 6 Cash-out from M&A transactions

Free Cash Flow – EUR 500 mn Free Cash Flow expected for FY 2017

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Free Cash Flow

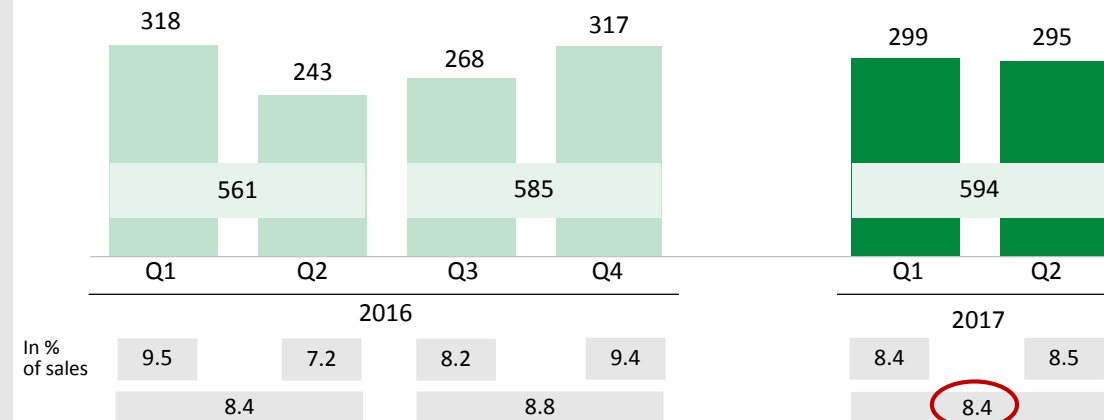
in EUR mn

	H1 '16	H1 '17	Δ	Q2 '16	Q2 '17	Δ
EBITDA	1,217	1,175	(42)	619	551	(68)
Interest paid	(107)	(77)	+30	(72)	(47)	+25
Interest received	73 ¹⁾	4	(69)	70 ¹⁾	1	(69)
Income taxes paid	(161)	(181)	(20)	(62)	(100)	(38)
Working capital change	(287)	(297)	(10)	(37)	(13)	(24)
Others	42	(118)	(160)	53	(72)	(125)
CF from Operations	777	506	(271)	571	320	(251)
Capex	(561)	(594)	(33)	(243)	(295)	(52)
<i>in % of Sales</i>	8.4%	8.4%	-	7.2%	8.5%	+1.3
Others	0	(1)	(1)	0	16	+16
CF from Investments	(561)	(595)	(34)	(243)	(279)	(36)
Free Cash Flow	216	(89)	(305)	328	41	(287)
Non recurring items	(14)	+136	+150	(49)	+59	+108
Free Cash Flow underlying	202	47	(155)	279	100	(179)
Cash & cash equivalents	572	399		572	399	

1) Includes annual cash interest on loan note receivable (-68 EURm) in Q2'16

Capex

in EUR mn



Key aspects

- ▶ Free Cash Flow decreased by EUR -305 mn to EUR -89 mn in H1 2017, reduction partly driven by non-recurring items
- ▶ Underlying Free Cash Flow decreased to EUR 47 mn in H1 2017 versus EUR 202 mn in H1 2016
- ▶ Capex to sales ratio at 8.4% (H1'16: 8.4%)

New Guidance 2017 post ad-hoc – On track to achieve targets

	Actual H1 2017	Ad-hoc guidance for H1 2017	Guidance for 2017 as of January 24, 2017	New Guidance for 2017 as of June 26, 2017
Sales growth	3.8% FX-adjusted ✓	~ 4.0% FX-adjusted	4-5% FX-adjusted	4-5% FX-adjusted
EBIT margin	11.1% of sales before one-off effects ✓	~ 11.0% of sales before one-off effects	12-13% of sales before one-off effects	11-12% of sales before one-off effects
Free Cash Flow	~ EUR -86 mn ¹⁾ w/o external growth	-	~ EUR 600 mn w/o external growth	~ EUR 500 mn w/o external growth

Market assumptions

- ▶ Automotive: Global Light Vehicle production growth of around 1.5%
- ▶ Industrial: Slight volume growth of global Industrial production at constant prices

1) Reported FCF of EUR -89 mn minus EUR 3 mn negative impact from M&A





Investor Relations

Phone: + 49 9132 82 4440
Email: ir@schaeffler.com
Web: www.schaeffler.com/ir

Financial Calendar

Capital Markets Day (Bühl, Germany): July 20, 2017
9M 2017 results: November 8, 2017
FY 2017 results: March 7, 2018
Q1 2018 results: May 7, 2018
H1 2018 results: August 7, 2018

Sales by region, business division and sector cluster

Automotive sales growth¹⁾ by region

	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17
Europe	+0.9%	+6.6%	+0.2%	+3.9%	+3.5%	-5.8%
Americas	+1.9%	+2.9%	-1.2%	+1.6%	+7.0%	+1.9%
Greater China	+17.0%	+11.6%	+38.9%	+29.9%	+21.9%	+23.2%
Asia/Pacific	+19.1%	0.7%	+3.7%	+6.8%	+3.7%	+10.2%
Total	+5.0%	+5.8%	+5.1%	+8.2%	+7.0%	+1.6%

Sales growth¹⁾ by Automotive business division

	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17
Transmission Systems	+6.2%	+3.4%	+4.4%	+8.3%	+6.4%	+6.3%
Engine Systems	+0.3%	+4.6%	+2.4%	+6.1%	+8.1%	+1.6%
Chassis Systems	+4.8%	+8.4%	+5.3%	+6.7%	+4.2%	-0.7%
Aftermarket	+9.8%	+11.3%	+9.8%	+12.4%	+9.9%	-7.5%
Total	+5.0%	+5.8%	+5.1%	+8.2%	+7.0%	+1.6%

1) FX-adjusted

Industrial sales growth¹⁾ by region

Preliminary figures

	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17
Europe	-1.9%	+1.5%	-2.4%	-2.3%	-1.6%	+0.9%
Americas	-7.4%	-7.1%	-4.7%	+1.5%	+0.1%	+5.1%
Greater China	-18.4%	-21.6%	-21.1%	-13.7%	+10.8%	+26.3%
Asia/Pacific	-3.8%	-6.0%	-6.3%	+0.0%	-3.5%	+0.1%
Total	-5.5%	-4.3%	-6.2%	-3.2%	+0.2%	+4.5%

Industrial Distribution sales growth¹⁾

	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17
Industrial Distribution	-8.7%	-7.8%	-4.2%	-3.6%	+0.9%	+3.8%
Industrial Total	-5.5%	-4.3%	-6.2%	-3.2%	+0.2%	+4.5%