



Results H1 2017 Schaeffler AG

Conference Call
August 8, 2017
Herzogenaurach

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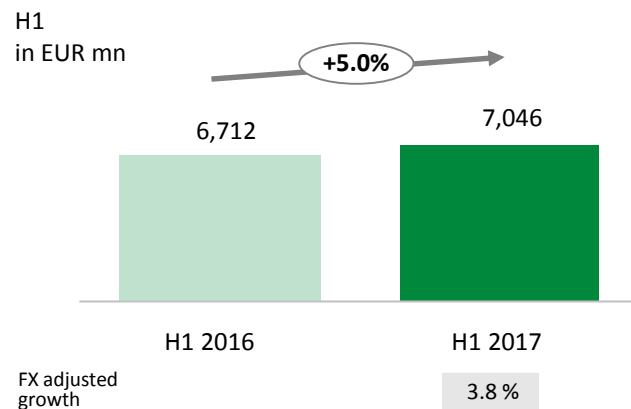
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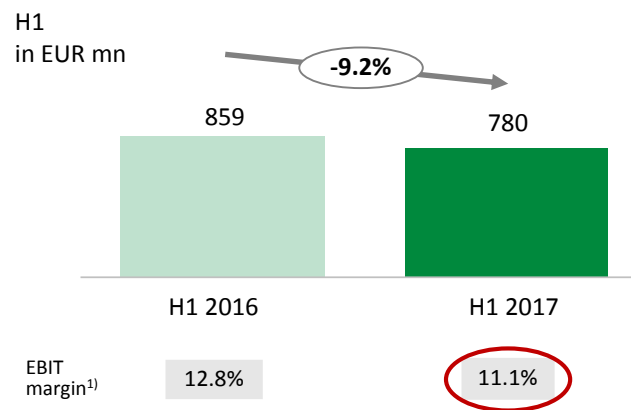
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- 1** Overview
- 2** Business Highlights H1 2017
- 3** Financial Results H1 2017
- 4** Outlook

Sales



EBIT¹⁾



1) Before one-off effects

Key aspects

Group sales +5.0% (3.8% FX-adjusted) – H1 EBIT margin at 11.1%¹⁾ (H1'16: 12.8%¹⁾)

Automotive sales +5.3% (4.2% FX-adjusted) – H1 EBIT margin at 11.8%¹⁾ (H1'16: 14.2%¹⁾)

Industrial sales +4.0% (2.3% FX-adjusted) – H1 EBIT margin at 8.5%¹⁾ (H1'16: 8.1%¹⁾)

Free Cash Flow of EUR -89 mn in H1 (H1'16: EUR 216 mn)

Net income of EUR 485 mn in H1 (H1'16: EUR 494 mn) – EPS basically unchanged at EUR 0.73 (H1'16: EUR 0.75)

Overview financial results H1 2017

in EUR mn		H1 2016	H1 2017	y-o-y	Q2 2016	Q2 2017	y-o-y
1	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%
2	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.
2	<i>EBIT adjusted margin ²⁾ Automotive</i>	14.2%	11.8%	-2.4%-pts.	14.1%	10.4%	-3.7%-pts.
2	<i>EBIT adjusted margin ²⁾ Industrial</i>	8.1%	8.5%	+0.4%-pts.	9.2%	8.4%	-0.8%-pts.
3	Net income	494	485	-1.8%	241	206	-14.5%
4	Free Cash Flow	216	-89	-305	328	41	-287
	Free Cash Flow underlying ³⁾	202	47	-155	279	100	-179
5	Net debt	2,636	2,956	+320	2,636	2,956	+320
	Leverage ratio	1.1	1.2		1.1	1.2	

1) FX-adjusted

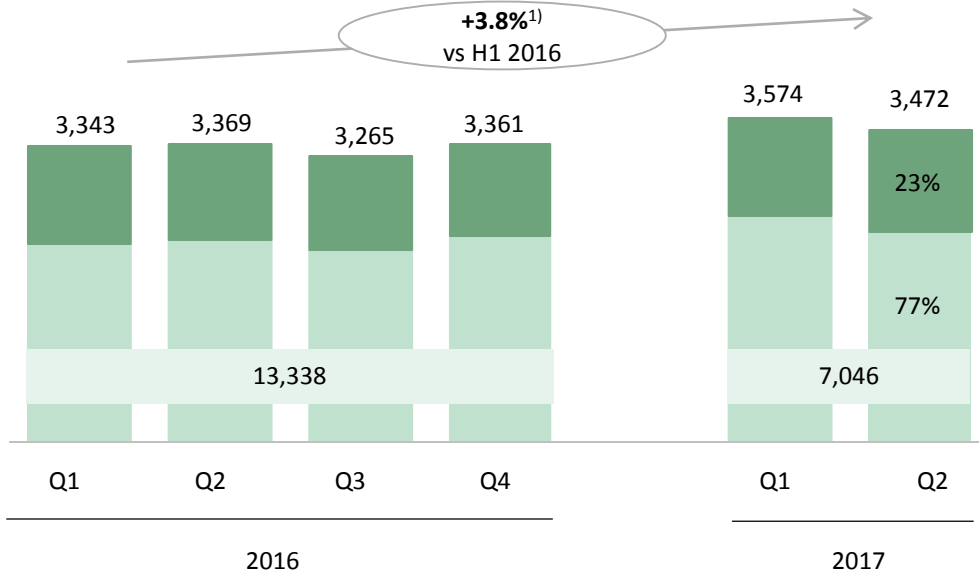
2) Before one-off effects

3) Free Cash Flow excluding non-recurring items

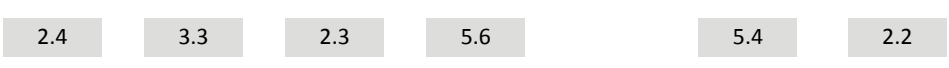
1 Sales growth H1 2017 +3.8% (FX-adjusted) – Strong contribution from China

Sales

in EUR mn



Sales growth in %¹⁾



Automotive Business Industrial Business

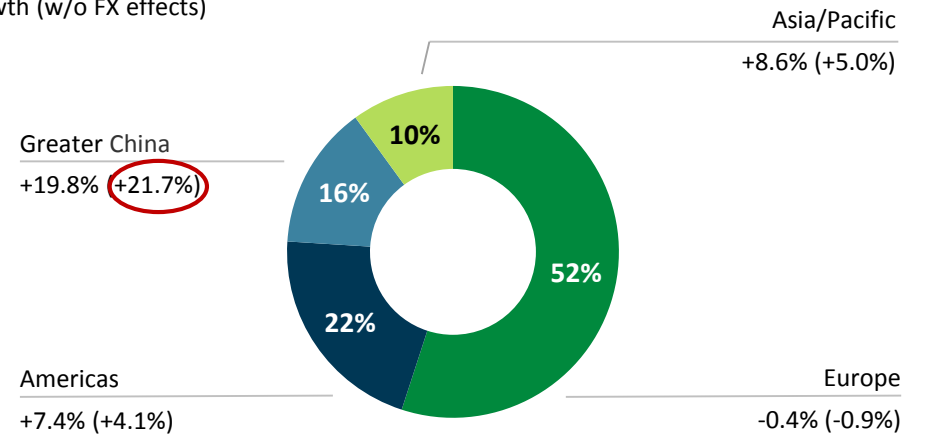
1) FX-adjusted

Key aspects

- ▶ Group sales +5.0% (+3.8% FX-adjusted)
- ▶ Sales driven by continued outperformance of global light vehicle production and stabilization of Industrial division
- ▶ Greater China sales +22% (FX-adjusted), representing around 16% of total sales

Sales by region H1 2017

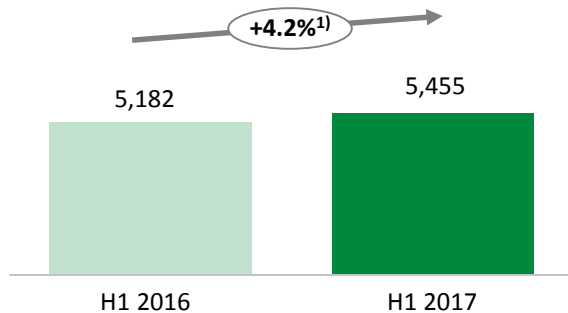
y-o-y growth (w/o FX effects)



1 Automotive Division – FX adjusted Sales +4.2%

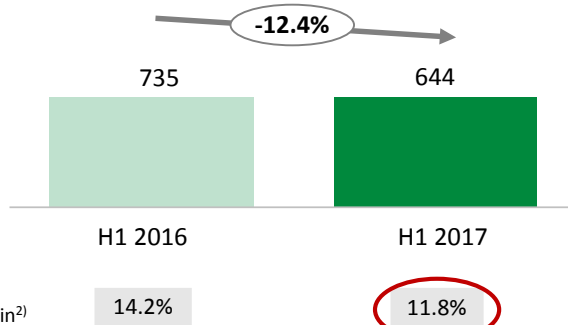
Automotive sales

H1
in EUR mn



Automotive EBIT²⁾

H1
in EUR mn



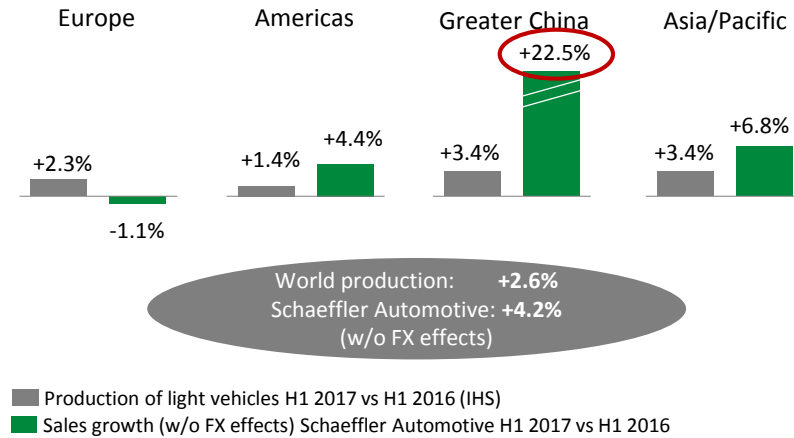
1) FX-adjusted 2) Before one-off effects

Key aspects Automotive

- 1 H1 2017 Automotive sales up 5.3% (+4.2% FX adjusted) – Continued outperformance of global production despite weak Aftermarket business
- 2 Business Highlights Automotive – Further progress on ramp-ups and serial nominations
- 3 Order intake supporting expectation to out-perform global light vehicle production in the coming years

1 Automotive Sales – Continued strong growth in Greater China

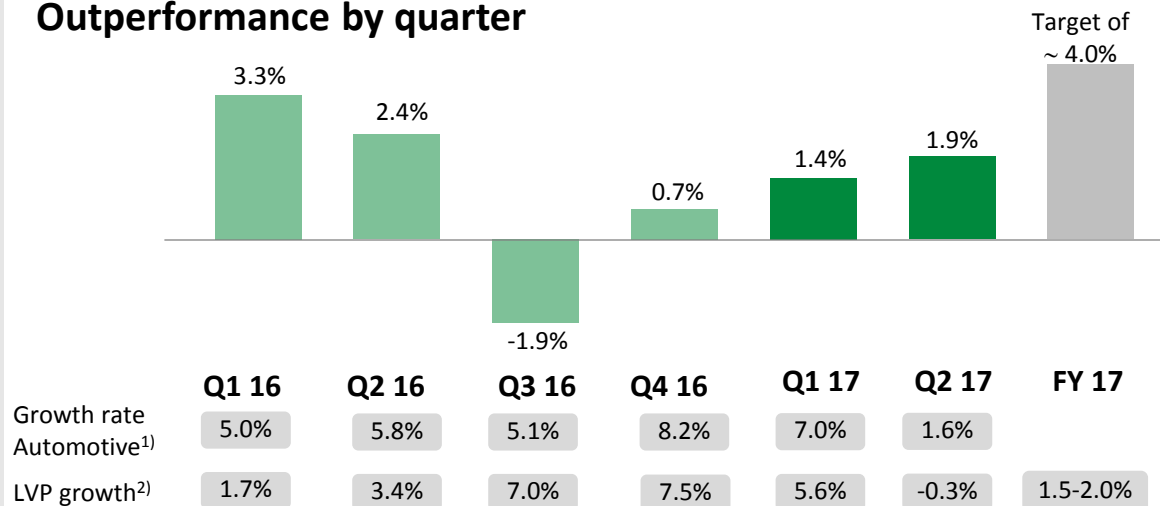
Automotive sales and market development H1



Sales by business division

in EUR mn	H1 2016	H1 2017	Δ (w/o FX effects)
Engine Systems	1,324	1,399	+5.7% (+4.8%)
Transmission Systems	2,179	2,333	+7.1% (+6.3%)
Chassis Systems	775	798	+3.0% (+1.7%)
Automotive Aftermarket	904	925	+2.3% (+0.8%)
Total	5,182	5,455	+5.3% (+4.2%)

Outperformance by quarter



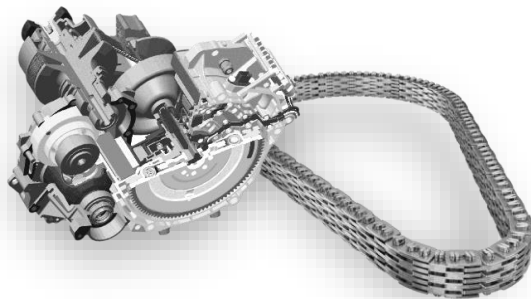
Key aspects

- ▶ Strong growth in China, share of local OEMs at 33% of sales
- ▶ Supply chain shortage and delayed opening of a logistic center in Q2 leads to temporary decrease of Aftermarket business (-7.5%)
- ▶ Target of 4%-pts outperformance of global light vehicle production in FY2017 confirmed

1) Before FX effects 2) Source: IHS, as of July 2017

First SOP with new CVT chain type

- ▶ First SOP with new CVT chain in October 2017 (for a Korean customer)
- ▶ Our chain offers higher efficiency compared to other solutions at a competitive price (even for smaller engines)
- ▶ PWC innovation award received for Schaeffler Plug-in Hybrid CVT concept presented in H1 2016



First nomination for SMART Phaser

- ▶ Schaeffler was nominated as series supplier for the "SMART Cam Phasing System" for a German premium OEM
- ▶ SOP in 2021
- ▶ Our SMART Phaser saves additional weight compared to current products in the market due to a smaller oil pump
- ▶ High internal value add
- ▶ Another 5 projects ongoing



Ramp-up Hybrid Module

- ▶ First milestone achieved: Internal pre-SOP in Germany in July 2017
- ▶ Next milestone: Reallocation to China in Q4, preparation according to plan
- ▶ Customer SOP planned for Q4 2017
- ▶ Successful product development leads to new potential E-Mobility projects with local Chinese OEMs



1 Automotive order intake – Continuous strong growth in order intake

New from CMD

Automotive OE Order Intake¹⁾

in EUR bn



Key aspects

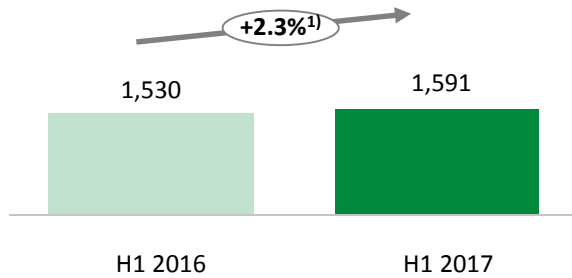
- ▶ Order Intake Automotive Division⁴⁾ in a given time period
- ▶ It will be released in half-yearly intervals from 2018 onwards
- ▶ The last three years were recreated before system change and show strong order growth
- ▶ Schaeffler estimates the order intake to convert to the annual net sales in about 5 years

¹⁾ Received orders in given time period ²⁾ Order Intake/Net Sales ³⁾ Estimates due to system change ⁴⁾ Excluding Automotive Aftermarket

1 Industrial Division – EBIT margin improved to 8.5%

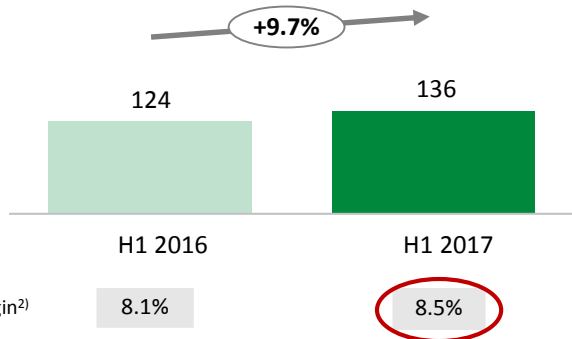
Industrial sales

H1
in EUR mn



Industrial EBIT²⁾

H1
in EUR mn



1) FX-adjusted

2) Before one-off effects

Key aspects Industrial

1

H1 2017 Industrial sales up 4.0% (+2.3% FX adjusted) – Industrial back to growth driven by certain sectors as well as Greater China and Americas

2

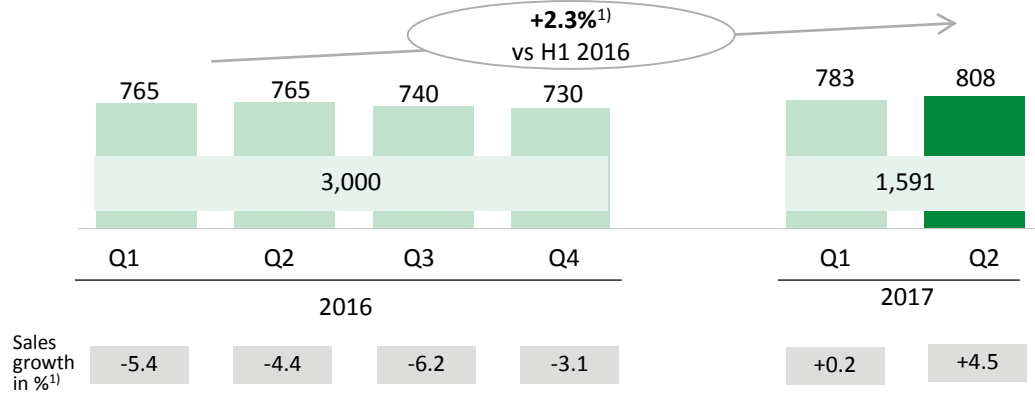
Business Highlights Industrial – Customer focus and growth

3

Order book supporting our short-term expectation for further growth in 2017

1 Industrial Sales – Back on growth path

Industrial sales by quarter



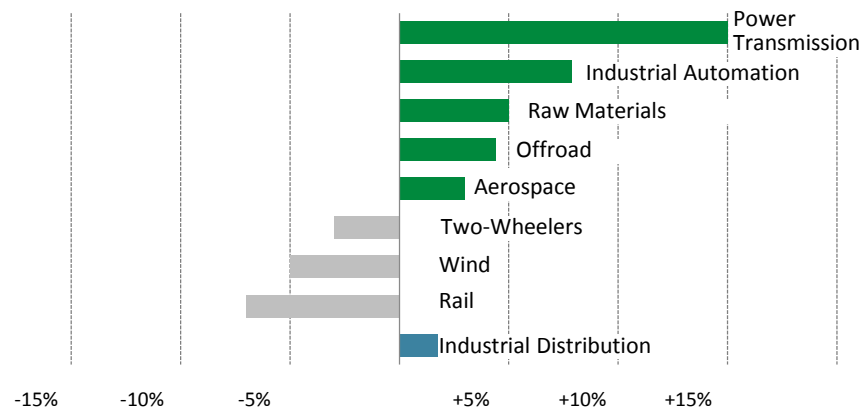
1) FX-adjusted

Sales by region

y-o-y growth

	H1 '16	H1 '17	Δ (w/o FX effects)
Europe	916	921	+0.5% (-0.3)
Americas	283	301	+6.4% (+2.6%)
Greater China	186	220	+18.3% (+18.7%)
Asia/Pacific	145	149	+2.8% (-1.7%)
Total	1,530	1,591	+4.0% (+2.3%)

Industrial sales by sector cluster H1'17¹⁾



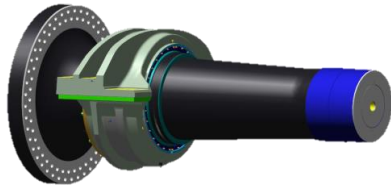
Key aspects

- ▶ Strong sales growth in in the Americas and Greater China
- ▶ Positive development strongly driven by Power Transmission, Industrial Automation and Raw Materials
- ▶ Industrial Distribution business picking up
- ▶ Strong order intake in H1 2017 supporting further growth

1) Before FX effects

1 Business Highlights Industrial – Customer focus and growth

Wind

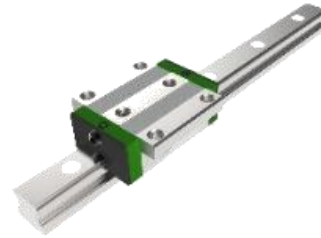


- ▶ Wind business is stabilizing after weak Q1 2017
- ▶ First steps in the wind system business with main shaft assembly in Nanjing



- ▶ Vestas honored Schaeffler's business support with the second supplier award in a row

Industrial Automation



- ▶ High single digit growth rate in H1 2017
- ▶ Further growth acceleration in Greater China in Q2 2017



- ▶ Worldwide one of the biggest industry fairs with leading theme "Connecting systems for intelligent production"

Industrial Distribution



- ▶ Distribution business stabilizing
- ▶ Increased order intake with big distributors especially in Europe and Americas



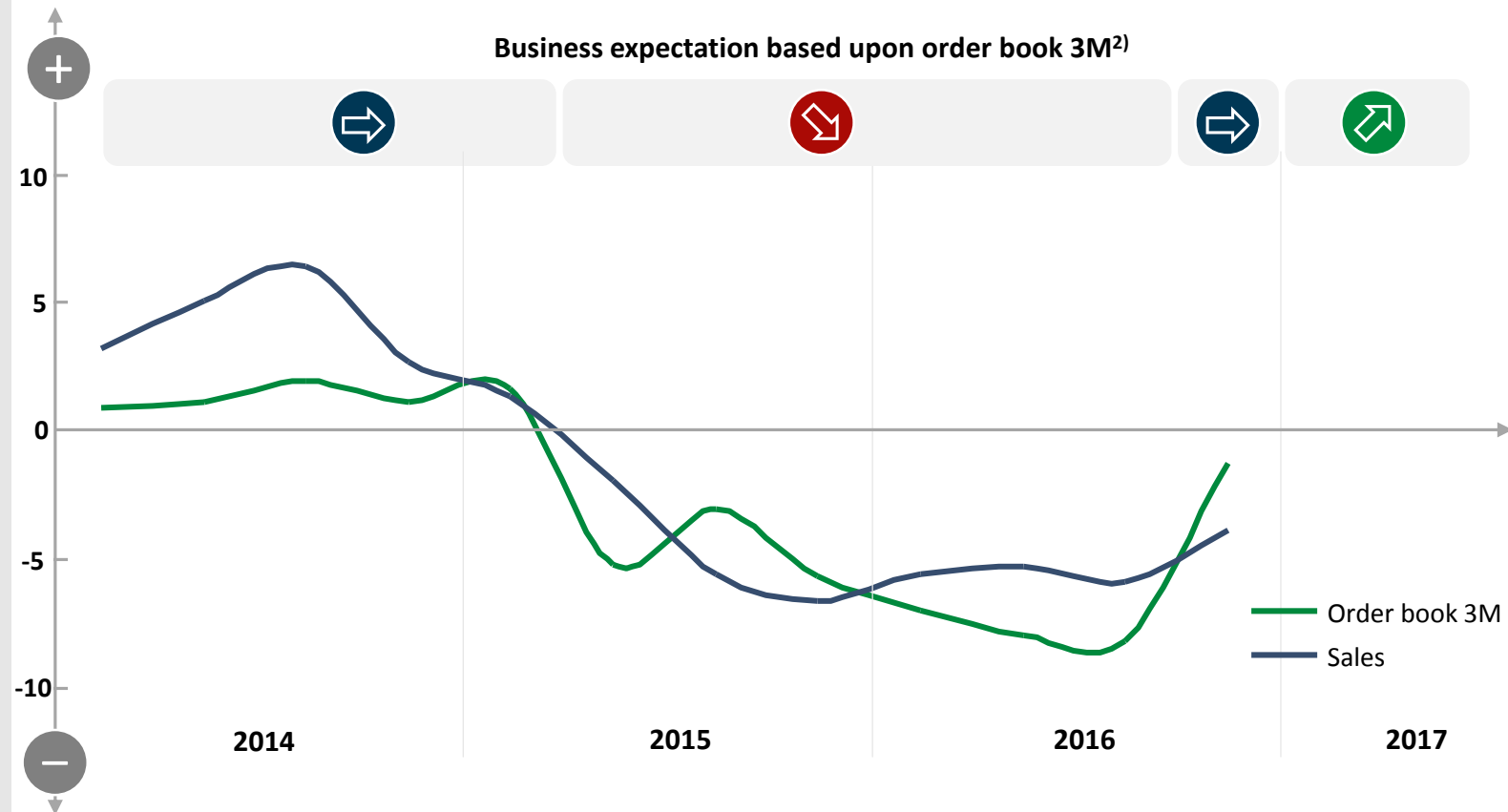
- ▶ Successful distributors meeting with more than 50 European distributors in Rotterdam

1 Industrial order book – Positive order book indicating further y-o-y growth in 2017

New from CMD

Order book 3M

y-o-y growth¹⁾



¹⁾ FX-adjusted product sales

²⁾ The order book 3M measures the amount of customer orders which are due in the next three months. It is presented as a relative, fx-adjusted year-over-year growth indicator which reflects the short-term business expectations. Developments in the distribution business have typically a shorter reach and are therefore only partially reflected by this indicator.

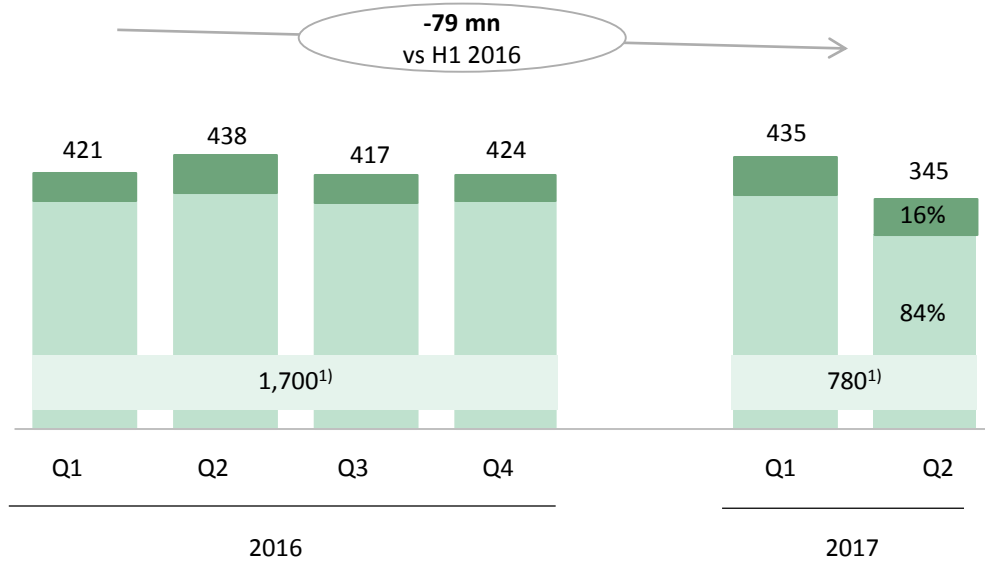
Key aspects

- ▶ Positive order book 3M development in H1 2017, after declines in several quarters before
- ▶ Major drivers of the order book 3M growth are Industrial Distribution and several sectors, including Offroad, Power Transmission, Raw Materials, Industrial Automation and Railway
- ▶ Order book 3M indicates positive sales outlook in 2017

2 EBIT margin – Below prior year

EBIT¹⁾

in EUR mn



EBIT margin in %¹⁾

2016	12.6	13.0	12.8	12.6	2017	12.2	9.9
	12.8		12.7			11.1	

Automotive Business Industrial Business

1) Before one-off effects

Key aspects

- ▶ EBIT margin¹⁾ at 11.1% (H1'16: 12.8%)
- ▶ Gross profit margin decreased from 28.6% to 27.7%
- ▶ COGS increased over-proportionally due to weak performance in Automotive division in Q2 2017

EBIT margin

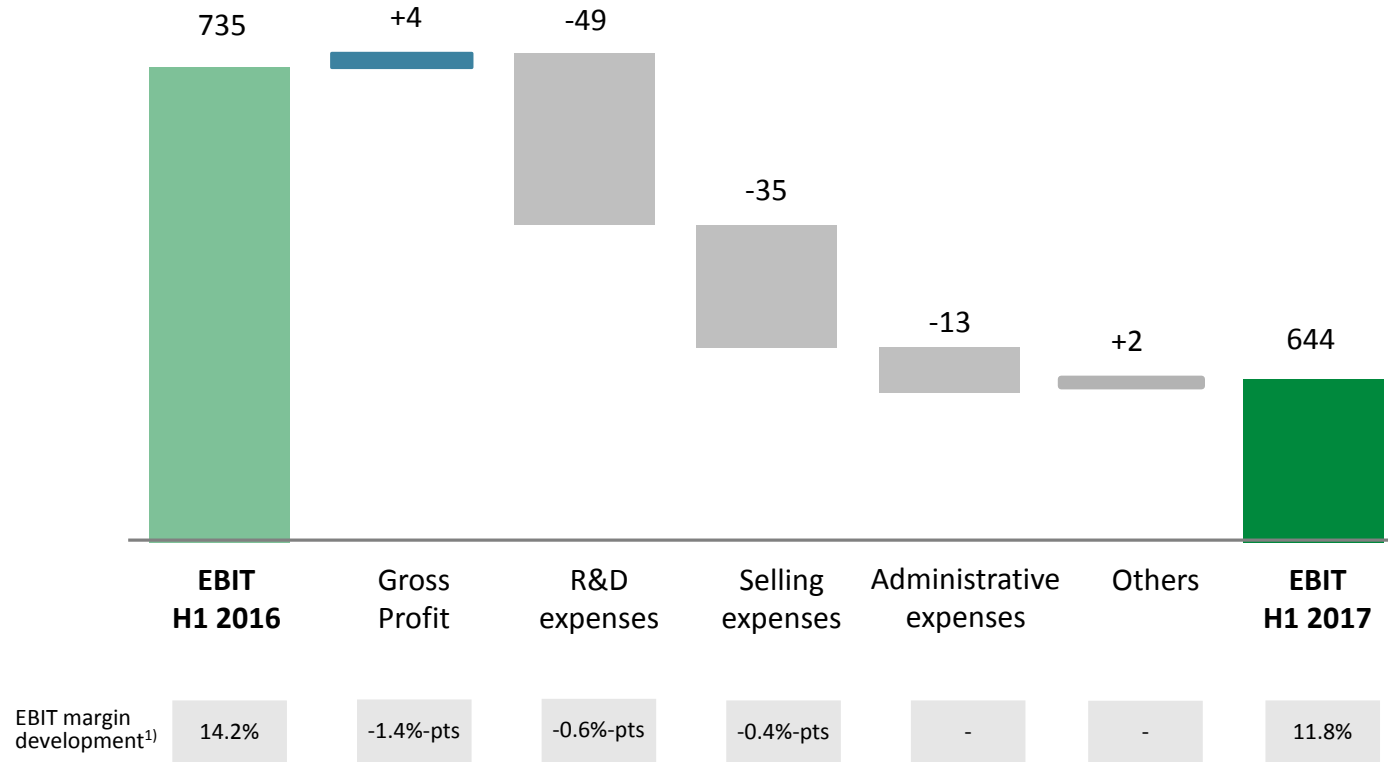
Before one-off effects

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Automotive	14.2%	14.1%	14.3%	14.6%	13.1%	10.4%
Industrial	7.1%	9.2%	7.4%	5.5%	8.7%	8.4%
Total	12.6%	13.0%	12.8%	12.6%	12.2%	9.9%

2 Automotive EBIT Margin – Lower gross profit margin and higher R&D expenses

EBIT¹⁾ H1 2016 vs. H1 2017

in EUR mn



1) Before one-off effects

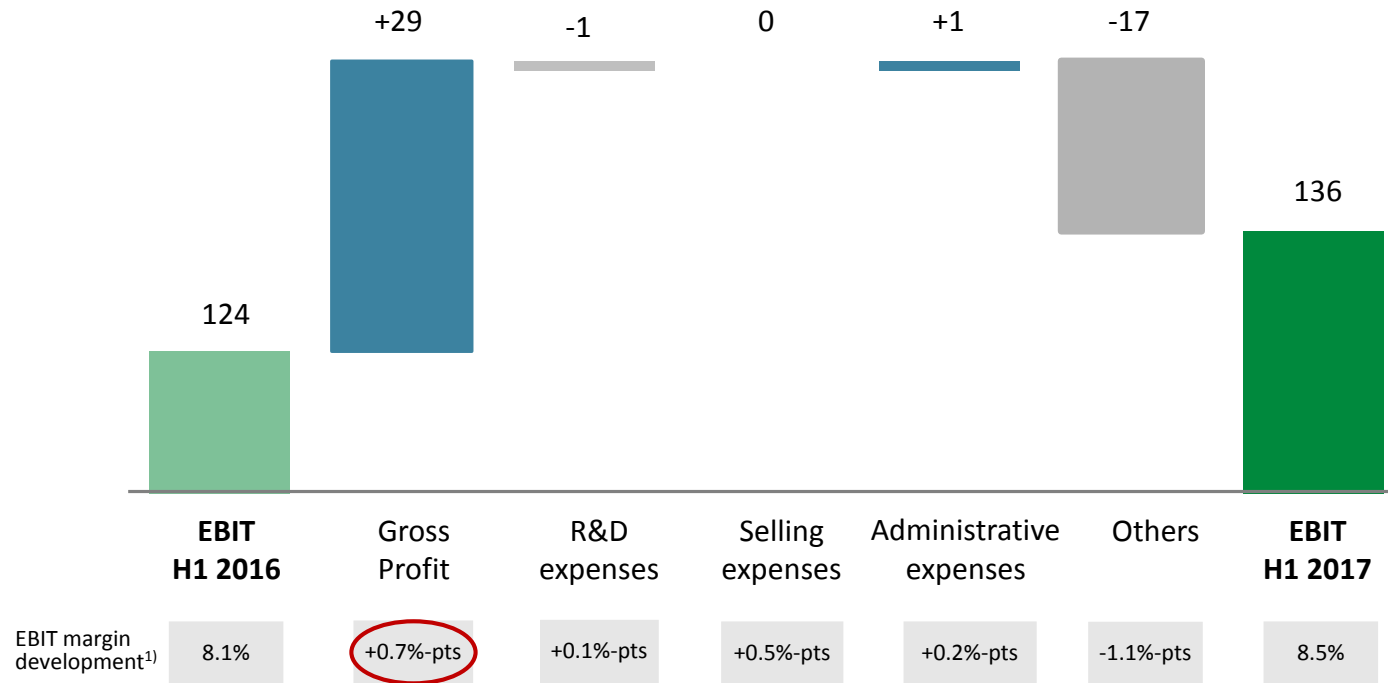
Key aspects

- ▶ Gross profit margin below H1'16 at 27.2% (H1 2016: 28.6%) mainly due to supply chain shortages in Aftermarket business and price pressure that could not be compensated by production cost improvements
- ▶ R&D expenses increased from 6.0% to 6.6% of sales mainly due to higher spending for E-Mobility
- ▶ Selling expenses increased to 5.2% of sales (H1'16: 4.8%) mainly due to higher special freight costs to meet strong demand in China in Q1
- ▶ EBIT margin¹⁾ 11.8% in H1 2017 after 14.2% in H1 2016

2 Industrial EBIT margin – H1 2017 with further signs of sustainable margin improvement

EBIT¹⁾ H1 2016 vs. H1 2017

in EUR mn



1) Before one-off effects

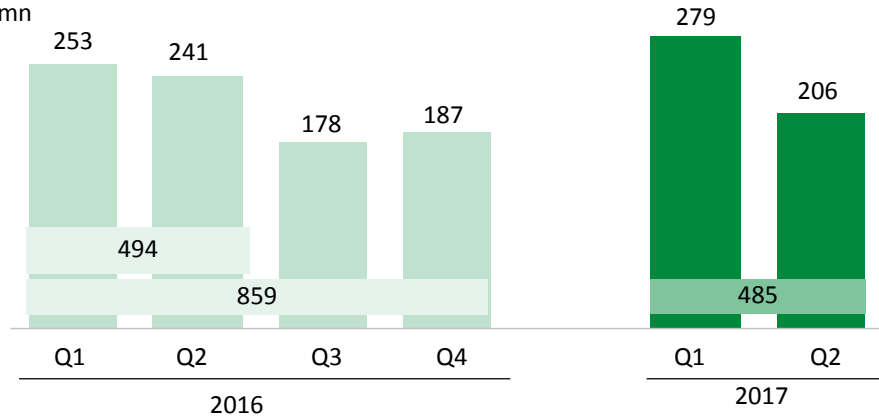
Key aspects

- ▶ EBIT margin improved to 8.5% in H1 2017 (8.1% in H1 2016)
- ▶ Gross profit margin improved to 29.4% (H1 2016: 28.7%) driven by higher volumes and improved operational performance
- ▶ Overhead costs improved by 0.8%-pts due to CORE program (EUR 13 mn)
- ▶ Others includes negative one-time effects

3 Net income H1 2017 EUR 485 mn

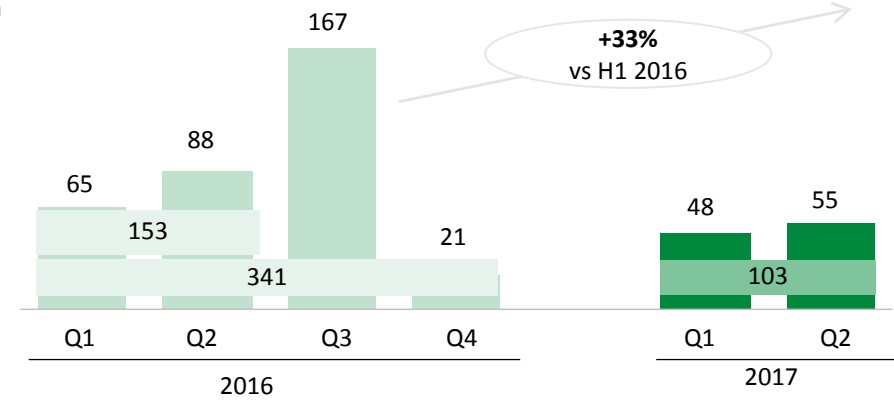
Net income¹⁾

in EUR mn



Financial result²⁾

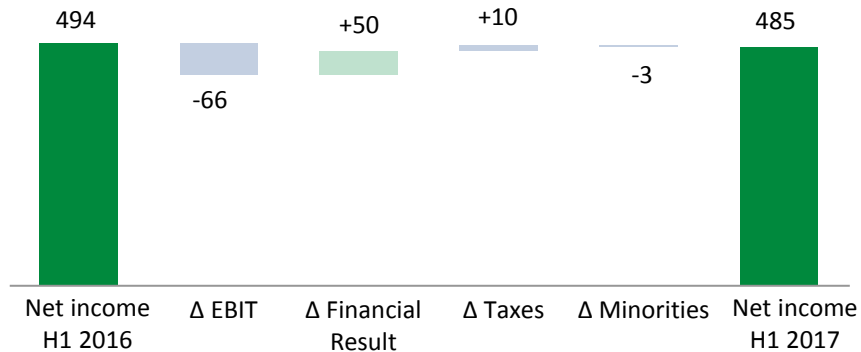
in EUR mn



2) For presentation purposes negative results are shown as positive figures

Net income¹⁾ H1 2016 vs. H1 2015

in EUR mn



1) Attributable to the shareholders of the parent company

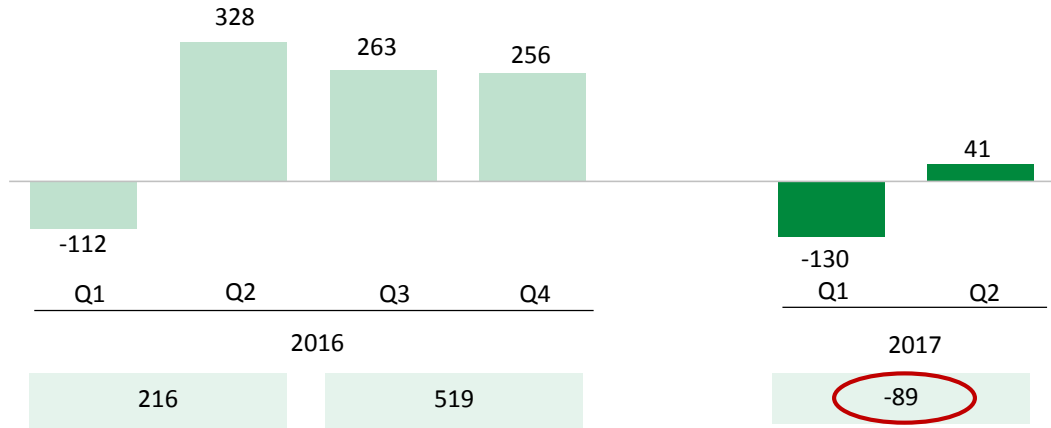
Key aspects

- ▶ Financial result H1 includes EUR 18 mn one-offs from bond redemption in May 2017
- ▶ Tax ratio H1'17: 28.4% (H1'16: 29.2%)
- ▶ EPS H1'17: EUR 0.73 (H1'16: EUR 0.75)

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

Reported Free Cash Flow

in EUR mn

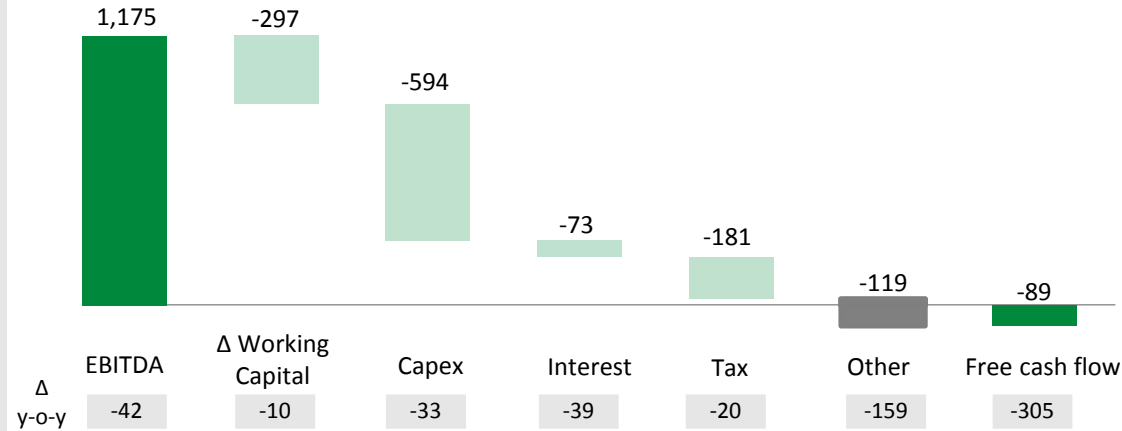


Key aspects

- ▶ Cash Flow from operating activities decreased by EUR 271 mn to EUR 506 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

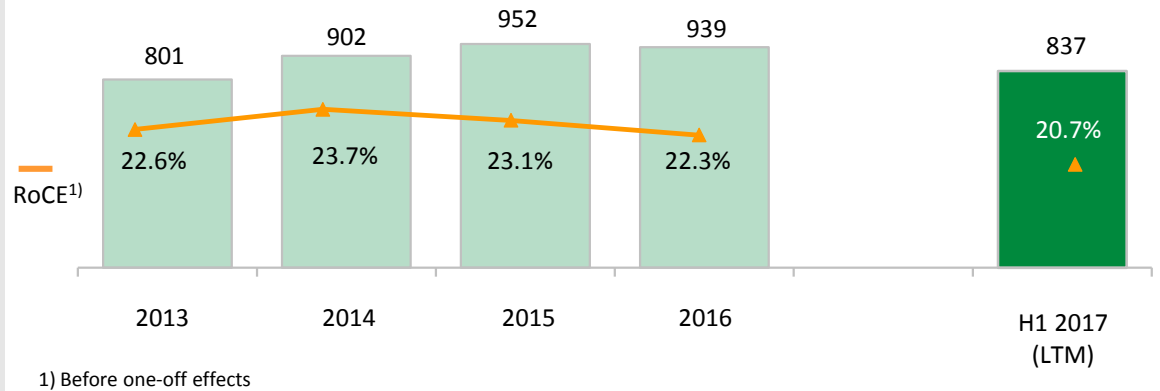
Free Cash Flow bridge H1 2017

in EUR mn



Schaeffler Value Added¹⁾

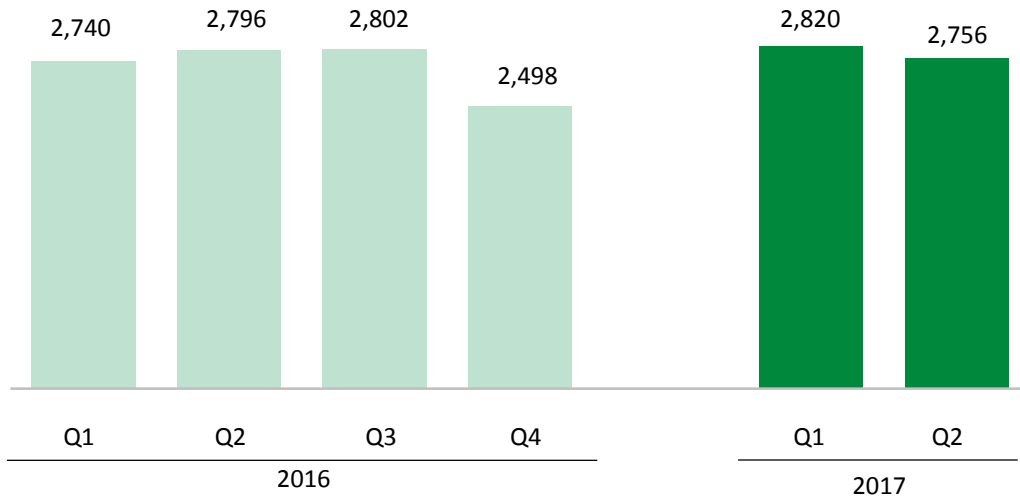
in EUR mn



Working Capital to sales ratio at 20.2% – Capex to sales ratio at 8.4%

Working capital¹⁾

in EUR mn



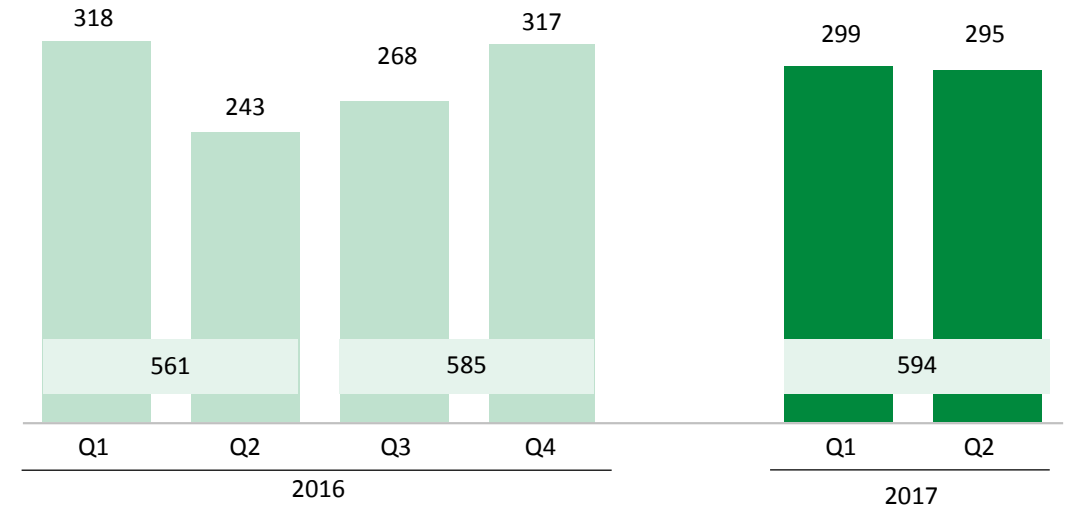
In % of sales (LTM)



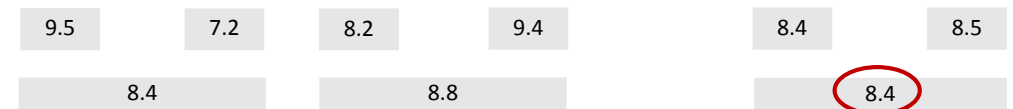
1) According to balance sheet; figures as per the end of period (see backup chart for further information)

Capex²⁾

in EUR mn



In % of sales

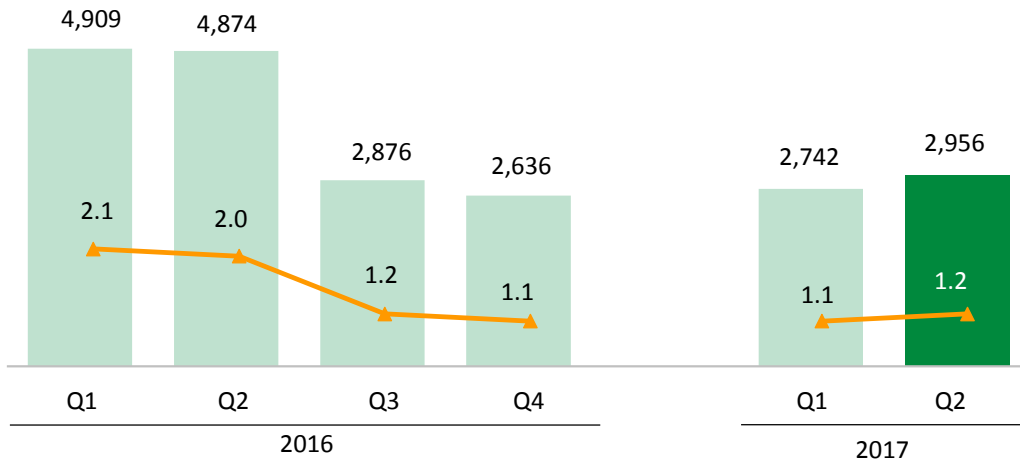


2) Cash view

5 **Leverage ratio at 1.2x – Gearing ratio at 136%**

Net financial debt and leverage ratio

in EUR mn

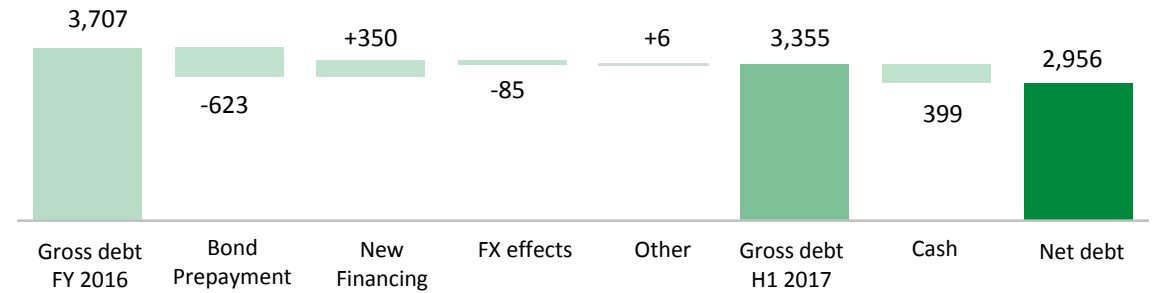


	Q1	Q2	Q3	Q4	Q1	Q2
Gross debt	5,602	5,446	5,441	3,355	3,689	3,707
Cash & cash equivalents	693	572	2,565	1,071	947	399
Gearing ratio (in%)	305	342	185	132	114	136

Leverage ratio: Net financial debt / LTM EBITDA before one-off effects
 Gearing ratio: Net financial debt / Equity (excluding pensions)

Change in net financial debt

in EUR mn



Key aspects

- ▶ Full redemption of USD 700 million 4.25% notes due 2021 in May 2017
- ▶ Redemption was funded from available cash and a partial RCF utilization
- ▶ Fitch Ratings assigns Investment Grade Rating in April 2017

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





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Financial Calendar

9M 2017 results: November 8, 2017
FY 2017 results: March 7, 2018

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

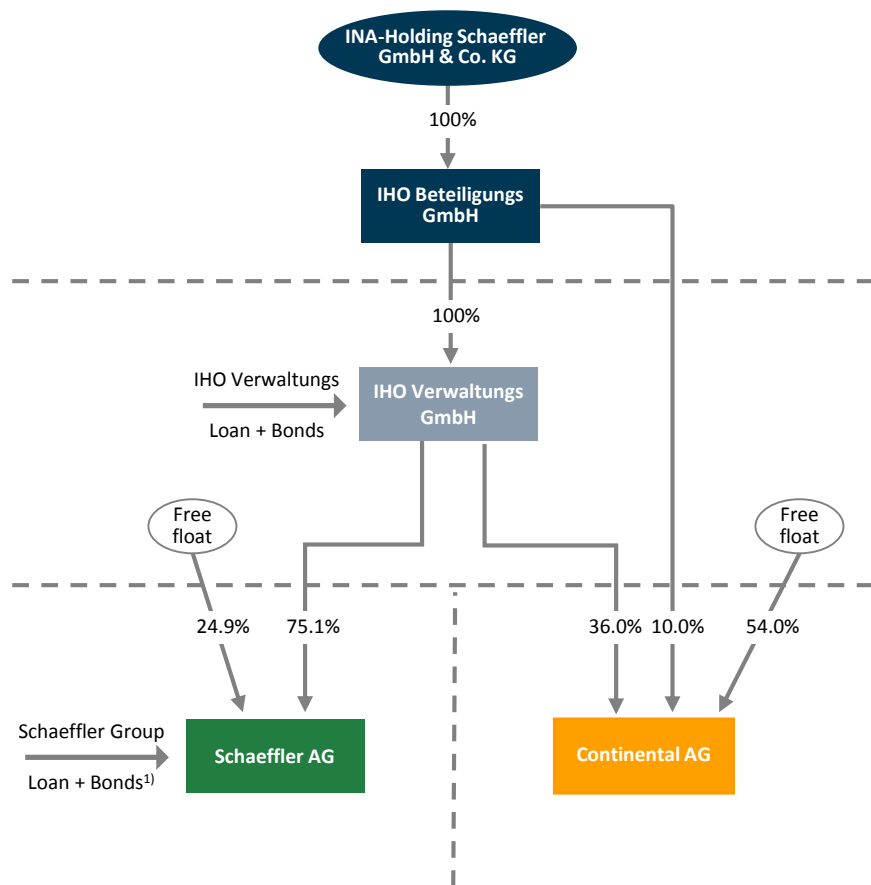
	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17
Europe	-1.9%	+1.5%	-2.4%	-2.3%	-1.6%	+0.6%
Americas	-7.4%	-7.1%	-4.7%	+1.5%	+0.1%	+5.1%
Greater China	-18.4%	-21.6%	-21.1%	-13.7%	+10.8%	+26.3%
Asia/Pacific	-3.8%	-6.0%	-6.3%	+0.0%	-3.5%	+0.1%
Total	-5.5%	-4.3%	-6.2%	-3.2%	+0.2%	+4.5%

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%	+4.6%
Industrial Total	-5.5%	-4.3%	-6.2%	-3.2%	+0.2%	+4.5%

Corporate structure (simplified)

as of June 30, 2017



1) All outstanding bonds are issued by Schaeffler Finance B.V., a 100% subsidiary of Schaeffler AG.

Financing structure

in EUR²⁾ mn, as of June 30, 2017

IHO Verwaltungs GmbH

	Debt instrument	Nominal (USD mn)	Nominal (EUR mn)	Interest	Maturity	Rating (F/M/S) ⁴⁾
Loans	Term loan (EUR)	-	600	E+2.75%	Sep-21	not rated
	RCF (EUR 200 mn)	-	-	E+2.75%	Sep-21	not rated
Bonds	2.75% SSNs 2021 (EUR)	-	750	2.75%	Sep-21	BB+/Ba1/BB-
	4.125% SSNs 2021 (USD)	500	438 ²⁾	4.125%	Sep-21	BB+/Ba1/BB-
	3.25% SSNs 2023 (EUR)	-	750	3.25%	Sep-23	BB+/Ba1/BB-
	4.50% SSNs 2023 (USD)	500	438 ²⁾	4.50%	Sep-23	BB+/Ba1/BB-
	3.75% SSNs 2026 (EUR)	-	750	3.75%	Sep-26	BB+/Ba1/BB-
	4.75% SSNs 2026 (USD)	500	438 ²⁾	4.75%	Sep-26	BB+/Ba1/BB-
Total			4,164	Ø 3.61% ³⁾		

Schaeffler Group

	Debt instrument	Nominal (USD mn)	Nominal (EUR mn)	Interest	Maturity	Rating (F/M/S) ⁴⁾
Loans	Term loan (EUR)	-	1,000	E+1.20%	Jul-21	not rated
	RCF (EUR 1,300 mn)	-	350	E+0.90%	Jul-21	not rated
Bonds	2.50% SSNs 2020 (EUR)	-	400	2.50%	May-20	BBB-/Baa3/BB+
	3.50% SSNs 2022 (EUR)	-	500	3.50%	May-22	BBB-/Baa3/BB+
	4.75% SSNs 2023 (USD)	600	526 ²⁾	4.75%	May-23	BBB-/Baa3/BB+
	3.25% SSNs 2025 (EUR)	-	600	3.25%	May-25	BBB-/Baa3/BB+
Total			3,376	Ø 2.66% ³⁾		

2) EUR/USD = 1.1412.

3) Incl. RCF commitment fee.

4) Fitch Ratings / Moody's Investor Services / Standard & Poor's.