



Results Q1 2017 Schaeffler AG

Conference Call
May 11, 2017
Herzogenaurach

This presentation contains forward-looking statements. The words "anticipate", "assume", "believe", "estimate", "expect", "intend", "may", "plan", "project", "should" and similar expressions are used to identify forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about Schaeffler Group's beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Schaeffler AG. Forward-looking statements therefore speak only as of the date they are made, and Schaeffler Group undertakes no obligation to update any of them in light of new information or future events.

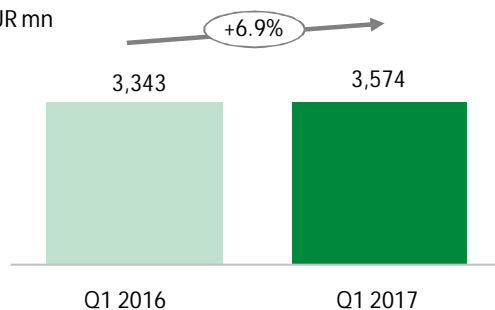
By their very nature, forward-looking statements involve risks and uncertainties. These statements are based on Schaeffler AG management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, but not limited to, future global economic conditions, changed market conditions affecting the automotive industry, intense competition in the markets in which we operate and costs of compliance with applicable laws, regulations and standards, diverse political, legal, economic and other conditions affecting our markets, and other factors beyond our control).

This presentation is intended to provide a general overview of Schaeffler Group's business and does not purport to deal with all aspects and details regarding Schaeffler Group. Accordingly, neither Schaeffler Group nor any of its directors, officers, employees or advisers nor any other person makes any representation or warranty, express or implied, as to, and accordingly no reliance should be placed on, the accuracy or completeness of the information contained in the presentation or of the views given or implied. Neither Schaeffler Group nor any of its directors, officers, employees or advisers nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this information or its contents or otherwise arising in connection therewith.

The material contained in this presentation reflects current legislation and the business and financial affairs of Schaeffler Group which are subject to change.

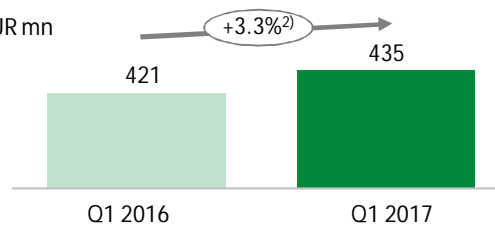
- 1 Overview
- 2 Financial Results Q1 2017
- 3 Outlook

Sales

Q1
in EUR mnFX adjusted
growth

5.4%

EBIT

Q1
in EUR mnEBIT
margin²⁾

12.6%

12.2%

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

Key aspects

Group sales +6.9% (5.4% FX-adjusted) – Q1 EBIT margin at 12.2%²⁾ (Q1'16: 12.6%²⁾)

Automotive sales +8.3% (7.0% FX-adjusted) – Q1 EBIT margin at 13.1%²⁾ (Q1'16: 14.2%²⁾)

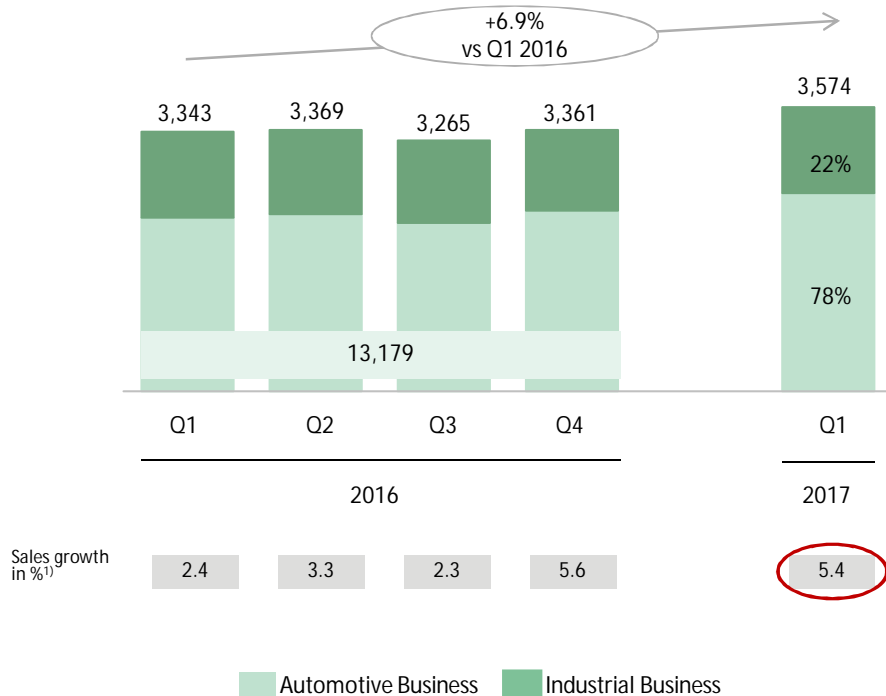
Industrial sales +2.4% (0.2% FX-adjusted) – Q1 EBIT margin at 8.7%²⁾ (Q1'16: 7.1%²⁾)

Free Cash Flow of EUR -130 mn in Q1 (Q1'16: EUR -112 mn)

EPS increased by 10.5% to EUR 0.42 (Q1'16: EUR 0.38)

Sales

in EURmn



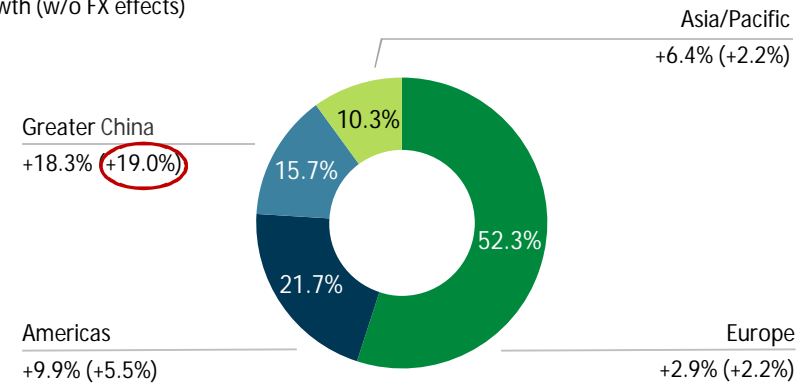
1) FX-adjusted

Key aspects

- ▶ Group sales +5.4% (FX-adjusted)
- ▶ Sales driven by continued outperformance of global light vehicle production and stabilization of Industrial division
- ▶ Greater China sales +19% (FX-adjusted), representing around 16% of total sales

Sales by region Q1 2017

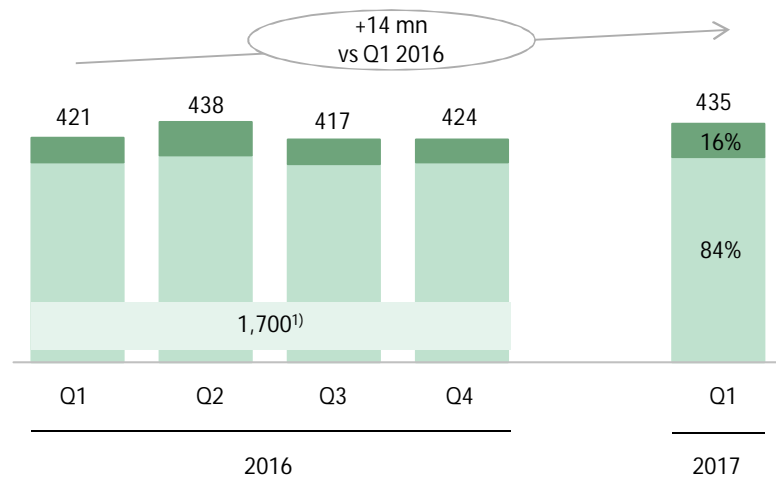
y-o-y growth (w/o FX effects)



EBIT improvement – Solid EBIT margin despite higher R&D costs

EBIT

in EUR mn



EBIT margin in % ¹⁾	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
	12.6	13.0	12.8	12.6	12.2

Automotive Business Industrial Business

1) Before one-off effects

Key aspects

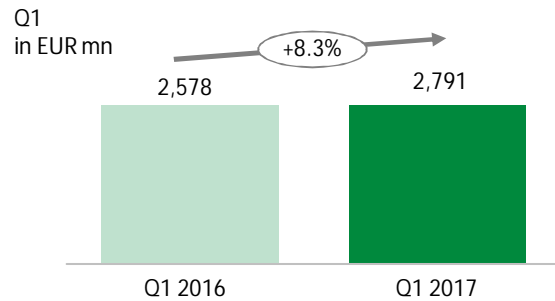
- ▶ EBIT margin at 12.2% (Q1'16: 12.6%)
- ▶ Gross profit increased from 28.2% to 28.9%
- ▶ Overhead costs increased over-proportionally due to higher R&D expenses and special freight costs

EBIT margin

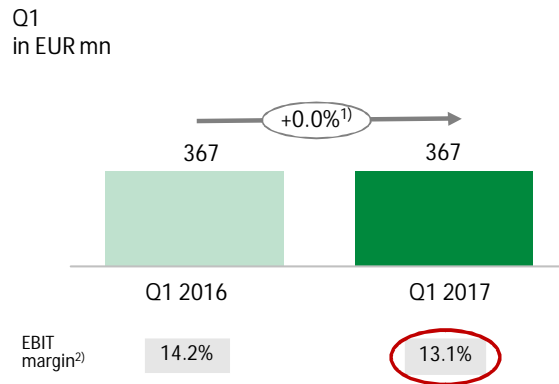
Before one-off effects

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Automotive	14.2%	14.1%	14.3%	14.8%	13.1%
Industrial	7.1%	9.2%	7.4%	4.9%	8.7%
Total	12.6%	13.0%	12.8%	12.6%	12.2%

Automotive sales



Automotive EBIT



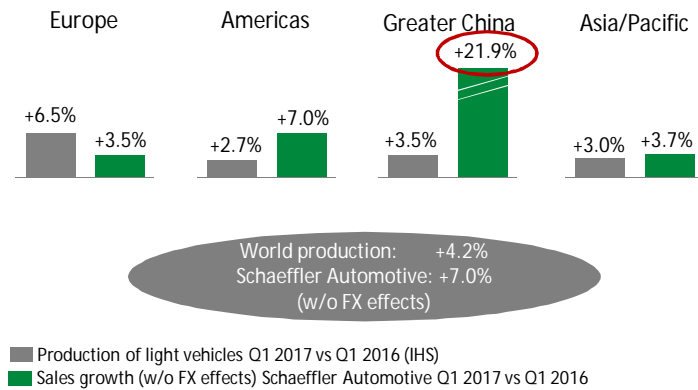
1) Before one-off effects

Key aspects Automotive

- 1 Q1 2017 Automotive sales up 8.3% (+7.0% FX adjusted) – Continued outperformance of global production
- 2 EBIT margin at 13.1% (Q1'16: 14.2%) – Mainly based on higher R&D expenses (6.4% of sales) and special freight costs to meet strong demand in China
- 3 E-Mobility gaining further positive momentum – 2 new series contracts; lifetime e-mobility sales increase by approximately 50%

1 Automotive – Strong growth in Greater China and Automotive Aftermarket continued

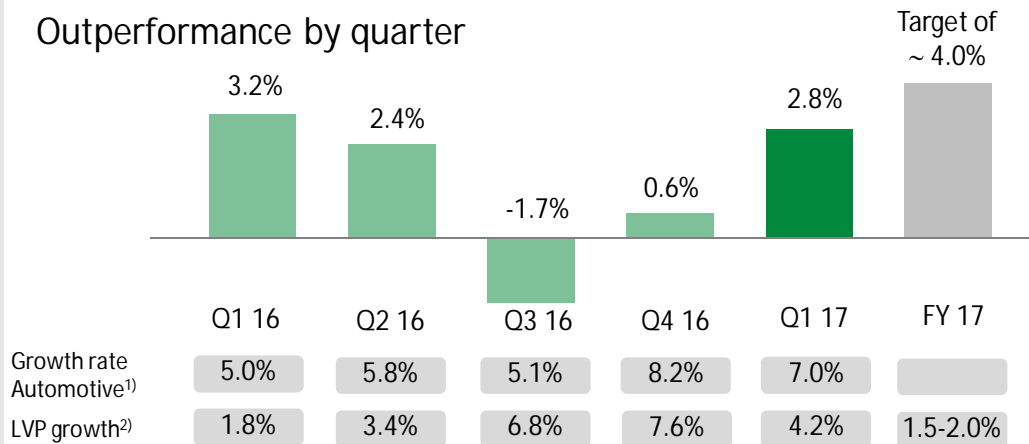
Automotive sales and market development Q1



Sales by business division

in EUR mn	Q1 2016	Q1 2017	Δ (w/o FX effects)
Engine Systems	654	715	+9.3% (+8.1%)
Transmission Systems	1,106	1,185	+7.1% (+6.4%)
Chassis Systems	385	408	+6.0% (+4.2%)
Automotive Aftermarket	433	483	+11.5% (+9.9%)
Total	2,578	2,791	+8.3% (+7.0%)

Outperformance by quarter



Key aspects

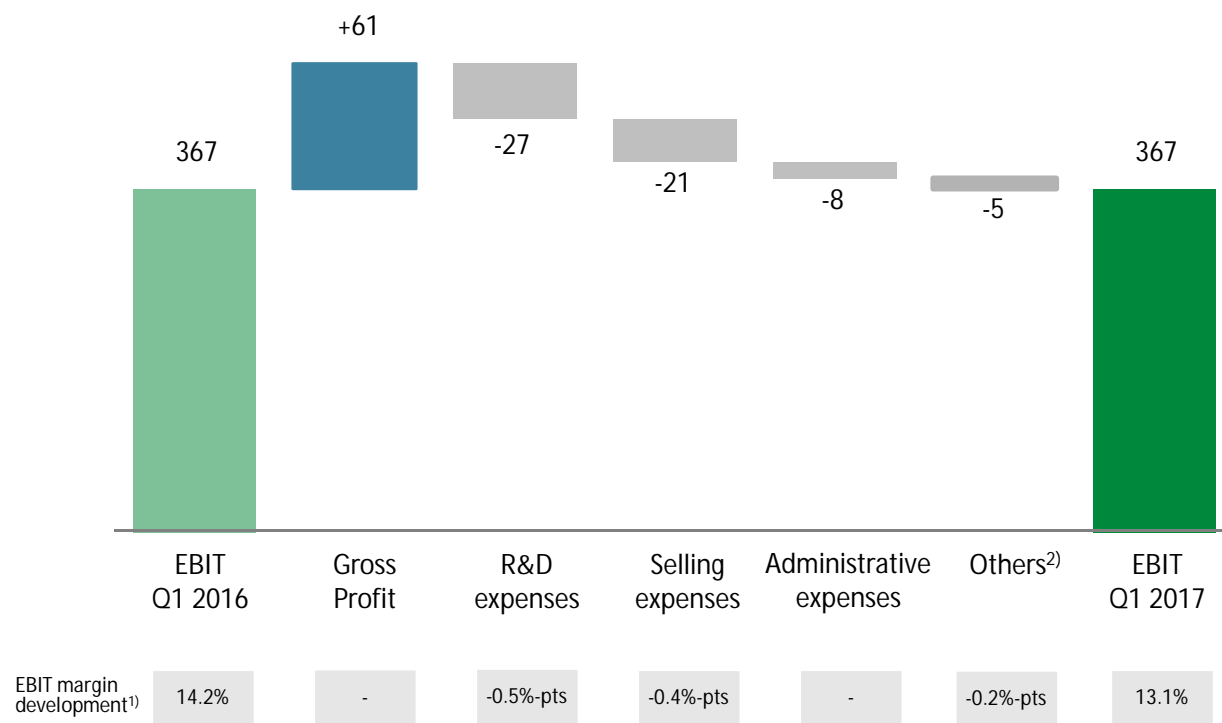
- ▶ Outperformance Q1 2017 of 2.8%-pts against global production growth
- ▶ Strong outperformance in China as share of local OEMs further increase to 36% of sales (Q1'16: 33%)
- ▶ Automotive Aftermarket continues to benefit from growing repair solutions (+10%) and OES business (+17%)
- ▶ Target of 4%-pts outperformance of global light vehicle production in FY2017 confirmed

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

2 Automotive – Solid EBIT margin despite higher R&D expenses

EBIT¹⁾ Q1 2016 vs. Q1 2017

in EUR mn



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

Key aspects

- ▶ Gross profit margin in-line with previous quarters at 28.4% (Q1 2016: 28.4%)
- ▶ R&D expenses increased from 5.9% to 6.4% of sales mainly due to higher spending for E-Mobility
- ▶ Selling expenses increased to 8.3% of sales (Q1'16: 7.9%) mainly due to higher special freight costs to meet strong demand in China
- ▶ EBIT margin 13.1% in Q1 2017 after 14.2% in Q1 2016

3 Automotive – E-Mobility gaining further positive momentum

	2016	Q1 2017
Market Development¹⁾ in Vehicles '000	<ul style="list-style-type: none"> ▶ BEV 572 (0.6%) ▶ HEV 2,865 (3.1%) ▶ ICE 89,561 (96.3%) 	<ul style="list-style-type: none"> n/a⁶⁾ n/a⁶⁾ n/a⁶⁾
Sales in EUR '000	<ul style="list-style-type: none"> ▶ BEV 8,372 (0.1%) ▶ HEV 291,636 (3.4%) ▶ ICE 8,223,497 (96.5%) 	<ul style="list-style-type: none"> n/a⁶⁾ n/a⁶⁾ n/a⁶⁾
Order Book³⁾ HEV/BEV	<ul style="list-style-type: none"> ▶ Projects⁴⁾ 23 ▶ Series Contracts ▶ Lifetime Sales ~EUR 750 mn 	<ul style="list-style-type: none"> 29 6 + 2 ~EUR 1,150 mn
Resources	<ul style="list-style-type: none"> ▶ Capex EUR 29 mn ▶ R&D Invest EUR 35 mn ▶ ΔHCO +259 	<ul style="list-style-type: none"> EUR 15 mn⁵⁾ EUR 12 mn⁵⁾ +182

w/o AAM²⁾

Target 2020

1 # BEV > 2,000
HEV > 13,000
in Vehicles '000

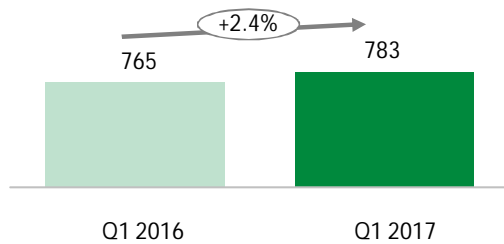
2 HEV + BEV Sales > 15% of total Sales of Schaeffler Automotive²⁾

3 Resources EUR 500 mn add. invest
add. 1,200 ΔHCO

¹⁾ IHS Light Vehicle Production Forecast, Feb 2017 ²⁾ Excluding Aftermarket ³⁾ Only Hybrid Modules and E-Axles ⁴⁾ Only ongoing Customer Project ⁵⁾ Q1 2017 Estimates ⁶⁾ Not available on a quarterly basis

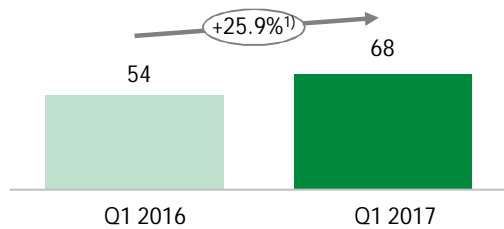
Industrial sales

Q1
in EUR mn



Industrial EBIT

Q1
in EUR mn



EBIT
margin¹⁾

7.1%

8.7%

1) Before one-off effects

Key aspects Industrial

1

Q1 2017 Industrial sales up 2.4% (+0.2% FX adjusted) – Industrial back to growth driven by certain sectors as well as Greater China and Americas

2

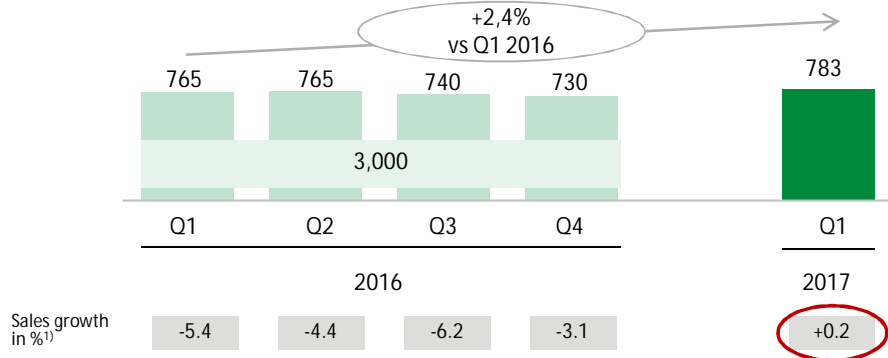
EBIT margin increased to 8.7% (Q1'16: 7.1%) driven by higher gross profit margin – Positive effect from CORE Wave I (100% completed); CORE Wave II underway

3

Customer focus and growth – New business picking up

1 Industrial Division – Back on growth path

Industrial sales by quarter

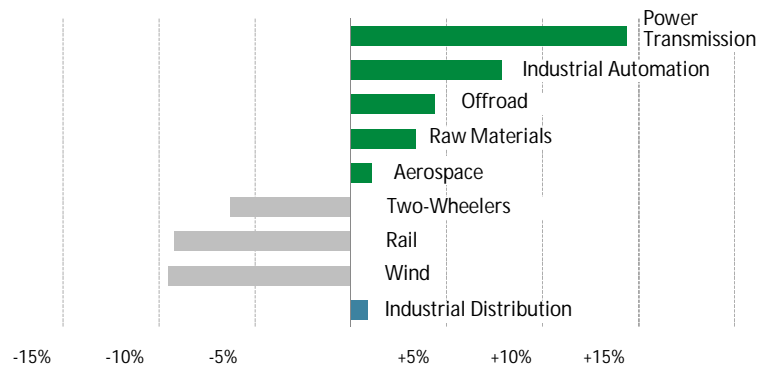


Sales by region

y-o-y growth

	Q1 '16	Q1 '17	Δ (w/o FX effects)
Europe	457	455	-0.4% (-1.6)
Americas	144	153	+6.3% (+0.1%)
Greater China	92	102	+10.9% (+10.8%)
Asia/Pacific	72	73	+1.4% (-3.5%)
Total	765	783	+2.4% (+0.2%)

Industrial sales by sector cluster Q1'17¹⁾



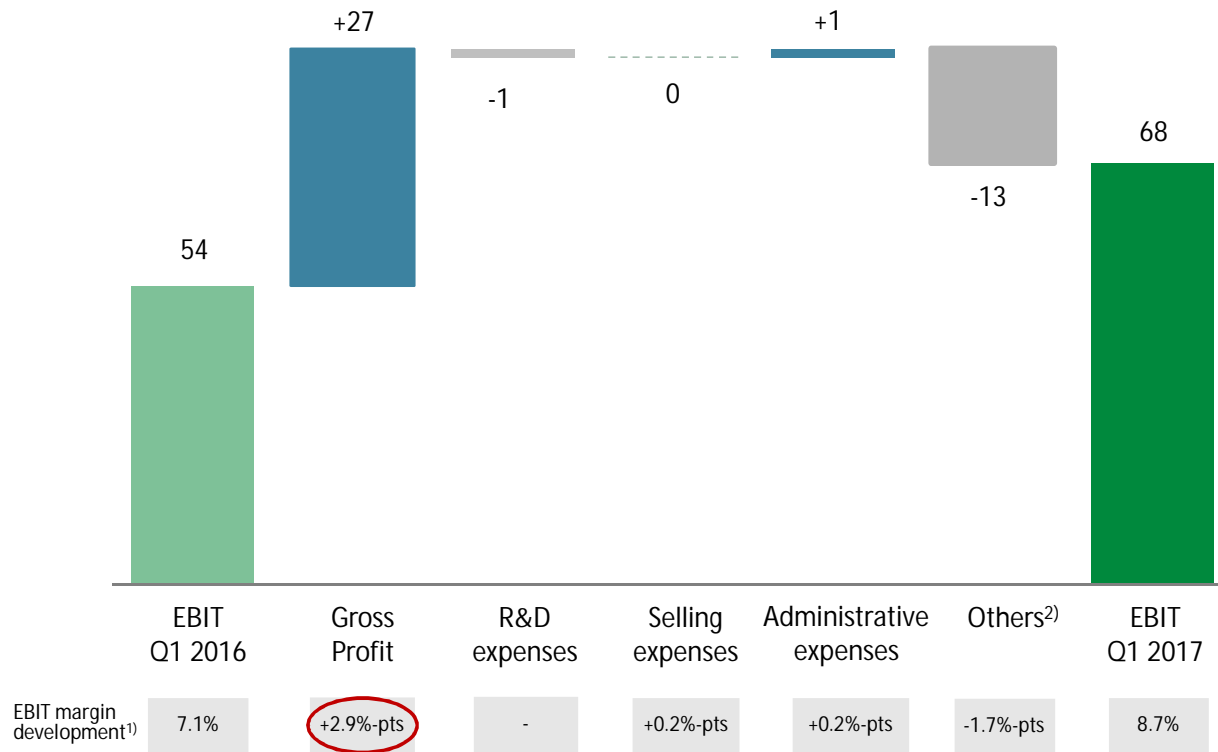
Key aspects

- ▶ Strong sales growth in China and upturn in the Americas
- ▶ Positive development strongly driven by Power Transmission, Industrial Automation and Offroad
- ▶ Industrial Distribution business picking up
- ▶ Strong order intake in Q1 2017 supporting further growth

1) Before FX effects

EBIT¹⁾ Q1 2016 vs. Q1 2017

in EUR mn



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

Key aspects

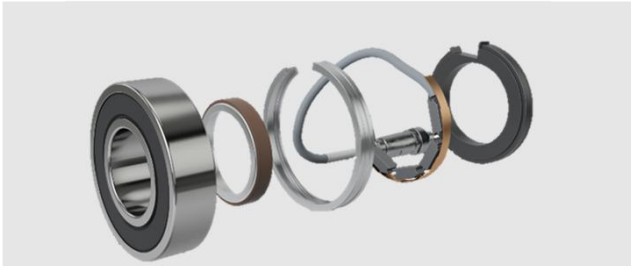
- ▶ EBIT margin improved to 8.7% in Q1 2017 (7.1% in Q1 2016)
- ▶ Gross profit margin improved to 30.7% (Q1 2016: 27.8%) driven by higher volumes and improved operational performance
- ▶ Overhead costs improved by 0.4%-pts due to CORE Wave I (EUR 4 mn)
- ▶ Others includes negative one-time effects

3 Customer focus and growth – New business picking up

Power Transmission

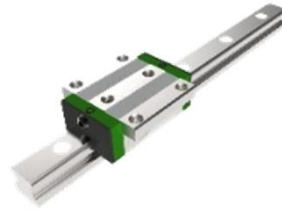


- ▶ New orders for high volume customers
- ▶ Ramp up of new Chinese production line in March
- ▶ Two-digit Mio. Euro growth with GenC in 2017



- ▶ Standard bearings with additional functionalities introduced at Hanover fair

Industrial Automation



- ▶ Industrial Automation Sales picking up in all 4 regions
- ▶ Greater China with strong two-digit growth rate

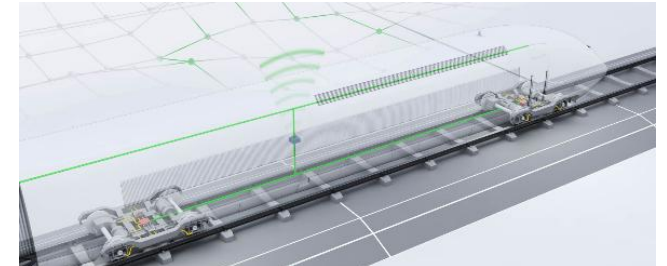


- ▶ Digitized machines in field test

Railway



- ▶ Business stabilizing
- ▶ Orders increasing in China
- ▶ Two-digit Mio. Euro single order closed in March 2017



- ▶ New digitized concepts introduced at Hanover fair

Free Cash Flow seasonally negative due to swing in working capital

Free Cash Flow

in EUR mn

	Q1 2016	Q1 2017
EBITDA	598	624
Net interest paid	-32	-27
Income taxes paid	-99	-81
Working capital change	-250	-284
Others	-11	-46
CF from Operations	206	186
Capex	-318	-299
<i>in % of Sales</i>	9.5	8.4
Others ²⁾	0	-17 ¹⁾
CF from Investments	-318	-316
Free Cash Flow	-112	-130
Cash & cash equivalents	693	947
Cash conversion (LTM) ²⁾	21%	29%

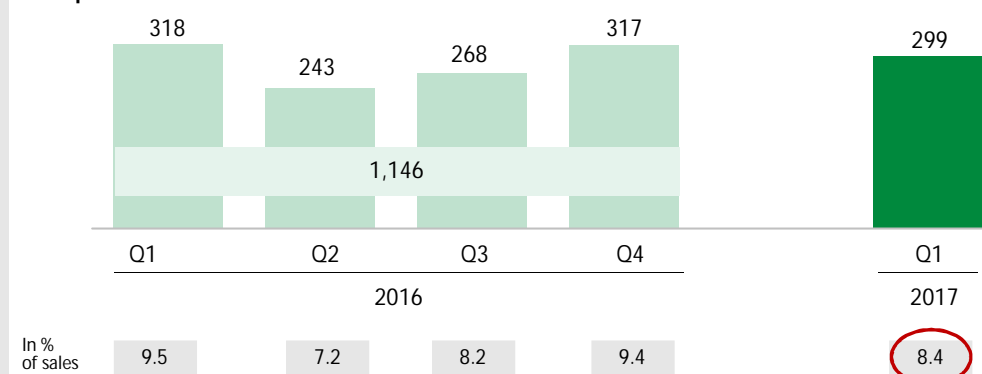
1) Includes cash outflows and inflows from acquisitions and disposals

2) FCF excluding one-time refinancing cost divided by EBITDA before special items

Key aspects

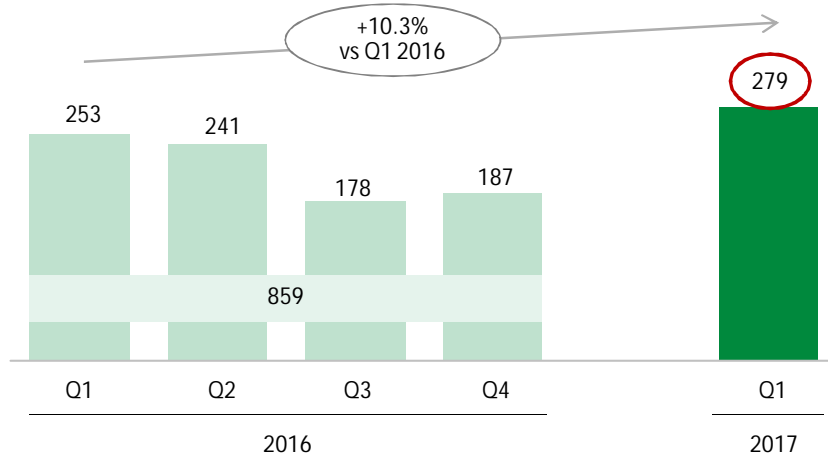
- ▶ Free Cash Flow decreased by EUR -18 mn to EUR -130 mn in Q1 2017
- ▶ Free Cash Flow includes outflow from the acquisition of Compact Dynamics and inflow from disposal of cylinder head manufacturing unit (total net: EUR -19 mn)
- ▶ Capex to sales ratio at 8.4% (Q1'16: 9.5%)
- ▶ Financial flexibility further increased – Gearing ratio improved to 114% (Q1'16: 305%)

Capex

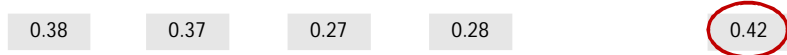


Net income¹⁾

in EUR mn



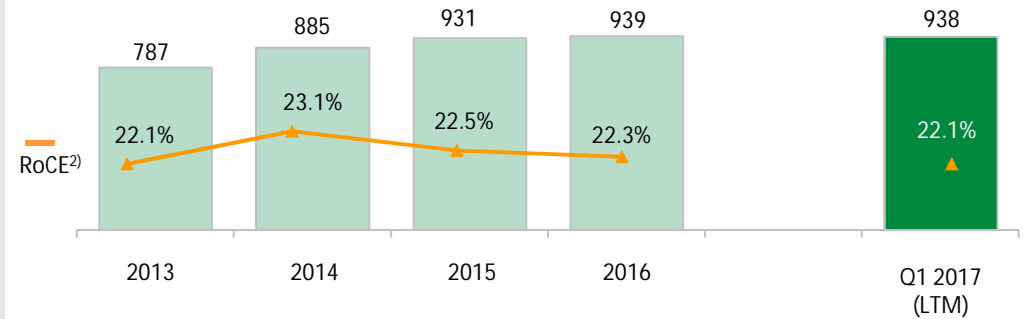
EPS¹⁾
in EUR



1) Attributable to the shareholders of the parent company 2) Before one-off effects

Schaeffler Value Added²⁾

in EUR mn



Key aspects

- ▶ Net income increased to EUR 279 mn (+10.3% vs. Q1'16)
- ▶ Increase of net income driven in particular by improved financial result and higher EBIT
- ▶ EPS increased by 10.5% to EUR 0.42 (Q1'16: EUR 0.38)

	Q1 2017	Guidance 2017	
Sales growth	+5.4% FX-adjusted	+4-5% FX-adjusted	✓
EBIT margin	12.2% of sales before one-off effects	12-13% of sales before one-off effects	✓
Free Cash Flow	EUR -130 mn	~ EUR 600 mn	[✓]



2017 Guidance confirmed

Market assumptions

- ▶ Automotive: Global Light Vehicle production growth of around 1.5%
- ▶ Industrial: Low single-digit growth in global Industrial production





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
H1 2017 results: August 8, 2017
9M 2017 results: November 8, 2017

in EUR mn	Q1 '16	Q1 '17	Q1 '17 vs. Q1 '16
Sales	3,343	3,574	+6.9% +5.4% ¹⁾
EBIT ²⁾	421	435	+14 mn +3.3%
EBIT margin ²⁾	12.6%	12.2%	-0.4%-pts.
Net income	253	279	+26 mn
Capex	318	299	-19 mn
Free cash flow	-112	-130	-18 mn
Net financial debt ³⁾	4,909	2,742	-2,167 mn
Leverage ratio ^{2) 3)}	2.1	1.1	-1.0
Gearing ratio	305%	114%	-191%-pts.
ROCE ²⁾	22.8%	22.1%	-0.7%-pts.
EPS ⁴⁾	0.38	0.42	+10.5%

1) FX-adjusted

2) Before one-off effects

3) Net financial debt to LTM EBITDA

4) As reported according to IAS 33; see backup chart for further information

Automotive sales growth¹⁾ by region

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

Sales growth¹⁾ by Automotive business division

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

1) FX-adjusted

Industrial sales growth¹⁾ by region

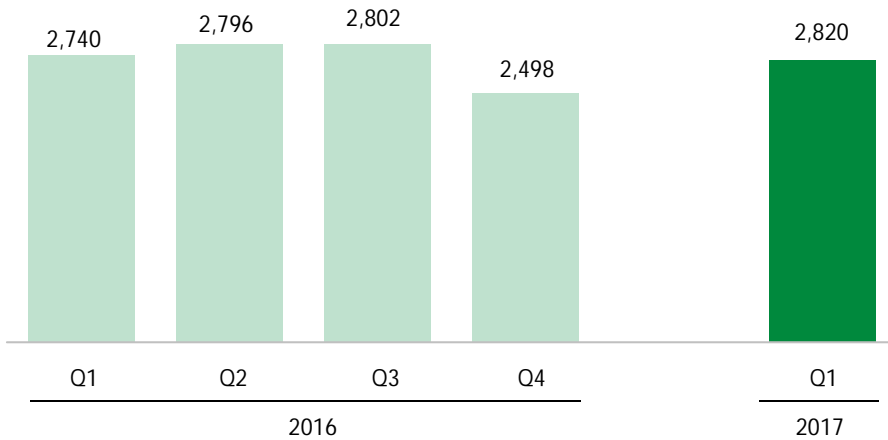
	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17
Europe	-1.9%	+1.5%	-2.4%	-2.3%	-1.6%
Americas	-7.4%	-7.1%	-4.7%	+1.5%	+0.1%
Greater China	-18.4%	-21.6%	-21.1%	-13.7%	+10.8%
Asia/Pacific	-3.8%	-6.0%	-6.3%	+0.0%	-3.5%
Total	-5.5%	-4.3%	-6.2%	-3.2%	+0.2%

Industrial Distribution sales growth¹⁾

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

Working capital¹⁾

in EUR mn



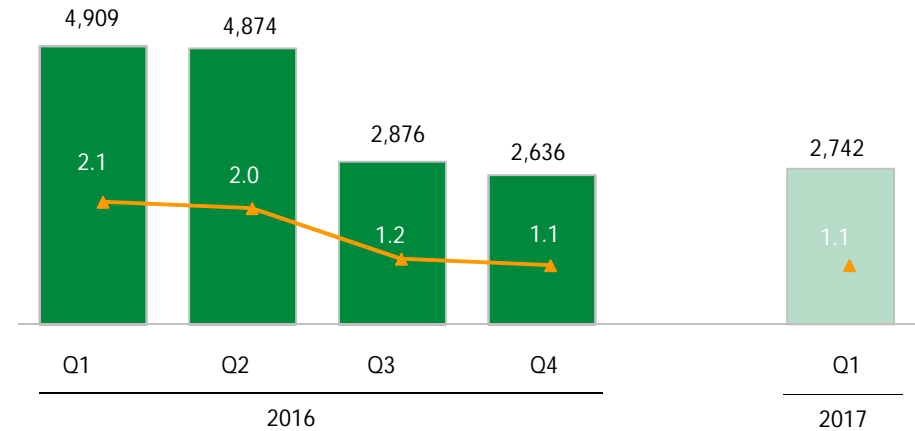
In % of sales (LTM)



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

Net financial debt and leverage ratio

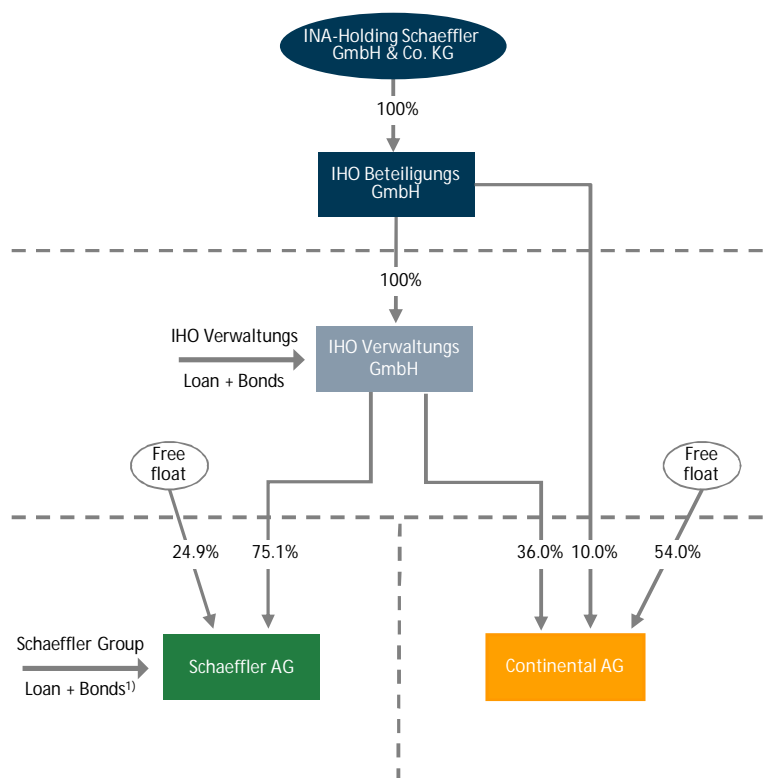
in EUR mn



	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1
Gross debt	5,602	5,446	5,441	3,707	3,689
Cash & cash equivalents	693	572	2,565	1,071	947
Gearing ratio (in%)	305	342	185	132	114

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

Corporate structure (simplified) as of March 31, 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 March 31, 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	468 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	468 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	468 ²⁾	4.75%	Sep-26	BB+/Ba1/BB-
Total		4,254	Ø 3.58%		

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)	-	-	E+0.80%	Jul-21	not rated
Bonds					
2.50% SSNs 2020 (EUR)	-	400	2.50%	May-20	BBB-/Baa3/BB+
4.25% SSNs 2021 (USD) ³⁾	700	655 ²⁾	4.25%	May-21 ³⁾	BBB-/Baa3/BB+
3.50% SSNs 2022 (EUR)	-	500	3.50%	May-22	BBB-/Baa3/BB+
4.75% SSNs 2023 (USD)	600	562 ²⁾	4.75%	May-23	BBB-/Baa3/BB+
3.25% SSNs 2025 (EUR)	-	600	3.25%	May-25	BBB-/Baa3/BB+
Total		3,717	Ø 3.05%		

2) EUR/USD = 1.06845.

3) Early redemption in full announced on April 24, 2017 with envisaged redemption date on May 24, 2017.

4) Ratings assigned by Fitch, Moody's and S&P; coverage by Fitch initiated on April 25, 2017.