Schaeffler AG
10th Annual Automotive Conference
Goldman Sachs

November 30, 2018
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1. Schaeffler at a Glance

2. “Mobility for Tomorrow” Strategy – Agenda 4 plus One Initiatives

3. Divisional Highlights

4. Long-term value creation
Schaefller at a Glance

- A global automotive and industrial supplier

- Global Automotive and Industrial supplier of high-precision components and mechatronic systems
- Quality, technology and innovation as key success factors
- Well defined strategy 'Mobility for Tomorrow'
- Above average growth and profitability with global sales of EUR 14 bn in 2017
- Well balanced customer base
- Global footprint with 72 plants and 18 R&D centers

- Strong customer base with approx. 11,800 customers
- Strong organic growth >5% p.a. Ø Sales growth 2008-2017
- 2,380 patents filed in 2017
- 72 plants
- 18 R&D centers
- More than 170 locations in 50 countries
- Balanced revenue mix 14 bn Euro
- More than 90,000 employees worldwide
- 12-13% EBIT margin on average over the last 10 years
- 1.1 m tons of processed steel p.a.
Sales by division FY 2017

- **Industrial**: 64%
- **Automotive Aftermarket**: 13%
- **Automotive OEM**: 23%

Sales by region FY 2017

- **Greater China**: 18%
- **Americas**: 21%
- **Europe**: 51%
- **Asia/Pacific**: 10%

Customer proximity – Global plants and R&D centers

Regions

- **Europe**: 45 R&D centers, 14 Plants
- **Americas**: 10 R&D centers, 5 Plants
- **Greater China**: 1 R&D center, 8 Plants
- **Asia/Pacific**: 2 R&D centers, 5 Plants

1) The regions represent the regional structure of the Schaeffler Group.
Development of Sales
2007 - 2017

Sales growth (y-o-y)
8.4% -1.2% -17.6% 29.4% 12.6% 4.0% 0.7% 8.2% 9.1% 3.4% 5.9%

Development of EBIT
2007 - 2017

Adjusted EBIT margin
12.6% 11.7% 6.1% 15.9% 16.2% 13.2% 12.8% 12.9% 12.7% 12.7% 11.3%

1) 2007-2010 relates to financials of a different entity (Schaeffler VZ GmbH)

2) Before special items
Executive Team

Klaus Rosenfeld (52)
Chief Executive Officer
Joined Schaeffler in 2009

Prof. Dr. Peter Pleus (64) / Matthias Zink (49)
CEO’s Automotive OEM
Joined Schaeffler in 2001/1994

Michael Söding (56)
CEO Automotive Aftermarket
Joined Schaeffler in 2002

Dr. Stefan Spindler (57)
CEO Industrial
Joined Schaeffler in 2015

Dietmar Heinrich (55)
Chief Financial Officer
Joined Schaeffler in 1995

Andreas Schick (48)
Chief Operating Officer
Joined Schaeffler in 1994

Prof. Dr.-Ing. Peter Gutzmer (65)
Chief Technology Officer / Deputy CEO
Joined Schaeffler in 2001

Corinna Schittenhelm (51)
Chief Human Resources Officer
Joined Schaeffler in 2016

Automotive OEM
Automotive Aftermarket
Industrial
Finance
Operations
Technology
Human Resources

+ 4 Regional CEOs
1 Schaeffler at a Glance

2 “Mobility for Tomorrow” Strategy – Agenda 4 plus One Initiatives

3 Divisional Highlights

4 Long-term value creation
2 “Mobility for Tomorrow” Strategy – Agenda 4 plus One Initiatives

Schaeffler Roadmap 2016-2020 – Navigating through a complex environment

Key aspects
- Strategy „Mobility for tomorrow“ to position Schaeffler for key future trends
- Excellence program "Agenda 4 plus One" to make Schaeffler a better company
- 3 divisions to enhance transparency and accountability
- Rigorous execution of efficiency initiatives to achieve financial ambitions

Roadmap Schaeffler Group

„One Schaeffler“
„Agenda 4 plus One“ 2016-2020
BCT dissolution

1) Bearing & Components Technologies
Vision / Mission

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."

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."

8 Strategic pillars

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.

4 Focus areas

- Eco-friendly drives
- Urban mobility
- Energy chain
- Mobility for tomorrow

Vision / Mission

8 Strategic pillars

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4 Focus areas

- Eco-friendly drives
- Urban mobility
- Energy chain
- Mobility for tomorrow
“Mobility for Tomorrow” Strategy – Agenda 4 plus One Initiatives

Strategy "Mobility for tomorrow" – 8 strategic pillars

1. Preferred technology partner
2. Automotive and Industrial supplier
3. Components and systems
4. Global player with local presence
5. E-Mobility, Industry 4.0, and digitalization
6. Quality, efficiency and delivery performance
7. Attractive employer
8. Global family business

One Schaeffler Approach
Sales 9M 2018

- Automotive OEM accounts for 63% of Group sales
- Powertrain business (52%) includes growing E-Mobility business; Chassis business division (11%) agnostic to evolving powertrain mix

EUR 10,714 mn

EBIT\(^1\) 9M 2018

- Industrial and Automotive Aftermarket contribute nearly 50% of Group EBIT\(^1\)
- Resilient high margin Aftermarket business and improving profitability in Industrial

EUR 1,150 mn

SVA\(^2\) LTM Sept 2018

- Schaeffler manages its business primarily by Schaeffler Value Added (SVA)\(^3\)
- Automotive Aftermarket contributes around 40% of Group SVA\(^3\) reflecting its significance

EUR 721 mn

\(^1\) Before special items
\(^2\) Defined as LTM EBIT before special items minus Cost of Capital (10% * Ø Capital Employed); Goodwill allocated to Automotive OEM (Indicative calculation)
Components and Systems – Enriching our core competencies

Key aspects

- Long-standing experience in development and manufacturing of best-in-class mechanical components
- Proven system-level understanding enabling integration of components into powerful mechatronic systems
- Ability to combine systems know-how across all three divisions into new innovative product and service offerings

Systems understanding as a key success driver
2 “Mobility for Tomorrow” Strategy – Agenda 4 plus One Initiatives

Excellence program "Agenda 4 Plus One" – Completion ratio increased to 50%¹

- Comprehensive program increased to 20 initiatives
- EUR 300 mn profitability improvement potential until 2022¹ and over EUR 1 bn of additional investment
- Each initiative driven by Board sponsor and supported by a business case

¹) Compared to FY 2017  ²) For all 20 initiatives, as of Sep 30, 2018  ³) Real Estate optimization
2 “Mobility for Tomorrow” Strategy – Agenda 4 plus One Initiatives

Rigorous execution of efficiency initiatives – Continuously improving our performance

<table>
<thead>
<tr>
<th>Overview initiatives</th>
<th>Start Date</th>
<th>Cost Efficiency Target</th>
<th>HCO&lt;sup&gt;1&lt;/sup&gt; Reduction Target</th>
<th>Restructuring Cost</th>
<th>Full Financial Impact</th>
<th>Focus</th>
<th>Completion Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 CORE I</td>
<td>10/2015</td>
<td>~ EUR 40 mn</td>
<td>-500</td>
<td>EUR 36 mn booked in 2015</td>
<td>12/2018</td>
<td>Industrial</td>
<td>100%</td>
</tr>
<tr>
<td>2 CORE II</td>
<td>10/2016</td>
<td>~ EUR 80 mn</td>
<td>-400</td>
<td>EUR 45 mn booked in 2016</td>
<td>12/2019</td>
<td>Industrial</td>
<td>&gt;50%</td>
</tr>
<tr>
<td>3 Shared Services</td>
<td>10/2017</td>
<td>~ EUR 25 mn</td>
<td>-100</td>
<td>EUR 39 mn booked in 2017</td>
<td>12/2022</td>
<td>Group</td>
<td>35%</td>
</tr>
<tr>
<td>4 BCT&lt;sup&gt;2&lt;/sup&gt;</td>
<td>5/2018</td>
<td>~ EUR 60 mn</td>
<td>-1,000</td>
<td>EUR [50] mn&lt;sup&gt;3&lt;/sup&gt;</td>
<td>12/2021</td>
<td>Auto OEM/Industrial</td>
<td>5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FCF Improvement Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Working Capital&lt;sup&gt;4&lt;/sup&gt;</td>
</tr>
<tr>
<td>6 Supply Chain&lt;sup&gt;5&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

1) HCO = Headcount
2) On-top initiatives outside of Agenda 4 plus One
3) Best estimate for 2018
4) Focused on Trade Payables and Receivables
5) Focused on delivery performance and inventories
1 Schaeffler at a Glance
2 "Mobility for Tomorrow" Strategy – Agenda 4 plus One Initiatives
3 Divisional Highlights
4 Long-term value creation
Schaeffler Group – Diversified business portfolio with three divisions

3 Divisional Highlights

**Automotive OEM**
- **Sales**\(^1\): 8,991 mn
- **EBIT margin**\(^2\): 10.8%
- Chassis Systems: 18%
- Engine Systems: 31%
- Transmission Systems: 47%
- E-Mobility: 5%

**Automotive Aftermarket**
- **Sales**\(^1\): 1,880 mn
- **EBIT margin**\(^2\): 19.0%
- Solutions business: 18%
- Components business: 82%

**Industrial**
- **Sales**\(^1\): 3,150 mn
- **EBIT margin**\(^3\): 8.0%
- OES business: 13%
- Based on 2017 Sales
- Based on 2017 Sales
- Based on 2017 Sales

---

1) FX adjusted Sales FY 2017
2) Based on EBIT Before special items FY 2017
3) in % of Group Sales 2017
## Sales and EBIT margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (EUR mn)</th>
<th>EBIT Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>8,525</td>
<td>12.8%</td>
</tr>
<tr>
<td>2017</td>
<td>8,991</td>
<td>10.8%</td>
</tr>
<tr>
<td>2018e</td>
<td></td>
<td>8-8.5%</td>
</tr>
</tbody>
</table>

- **Growth rate**: +4.8% (FX-adjusted)
- **EBIT margin**: +6.5%, +3.5-4.5%

### 2018 Guidance

- **Engine Systems**: 31%
- **Transmission Systems**: 47%
- **E-Mobility**: 18%
- **Top 10 automotive customers**: 64%
- **Other customers**: 40%

## Sales by business division

- **Engine Systems**: 31%
- **Transmission Systems**: 47%
- **E-Mobility**: 18%
- **Chassis Systems**: 5%

## Sales split by customer mix

- **Top 10 automotive customers**: 64%
- **Other customers**: 40%

### Footnotes
1) FX-adjusted
2) Before special items
3) FY 2017
4) In % of Group Sales 2017
3 Divisional Highlights

**Powertrain evolution – Our E-Mobility Strategy**

**Vision Powertrain**

Global vehicle production [in mn units]

<table>
<thead>
<tr>
<th>Year</th>
<th>ICE</th>
<th>HEV</th>
<th>BEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>90</td>
<td>102</td>
<td>11</td>
</tr>
<tr>
<td>2020</td>
<td>95%</td>
<td>86%</td>
<td>12%</td>
</tr>
<tr>
<td>2025</td>
<td>90%</td>
<td>86%</td>
<td>11%</td>
</tr>
<tr>
<td>2030</td>
<td>90%</td>
<td>86%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: IHS and Schaeffler Assumptions / Values based on Light Vehicles < 6 tons only. ICE = Internal Combustion Engine; HEV = Hybrid Electric Vehicles ranging from 48V Mild Hybrid to PHEV, BEV = Battery Electric Vehicles (incl. Fuel Cell Electric Vehicles)

**E-Mobility Production Roadmap**

- Hybrid Module Gen.2 and 2-speed E-Axle Transmissions for HEV applications in Series production
- Coaxial and parallel design 1-speed E-Axle Transmission for BEV application Europe SOP in process
- Hybrid Module Gen.3 with integrated Torque Converter to follow 12/2018

More than 30 customer projects and 8 series contracts
E-Mobility – Content per vehicle

1) Average Schaeffler Content per light Vehicles produced world wide (excluding Aftermarket, Heavy Duty & Motorcycles content)
2) according to Schaeffler Accelerated Scenario
3) Market Growth 2016-2025: 1.8% (Source: IHS; July 2017) + Content per Vehicle growth ~4%

Average Content per Vehicle 2025
~EUR 130
~6% CAGR
### Sales and EBIT margin

**in EUR mn**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,813</td>
<td>1,880</td>
<td></td>
</tr>
<tr>
<td>EBIT margin</td>
<td>21.3%</td>
<td>19.0%</td>
<td>17-17.5%</td>
</tr>
</tbody>
</table>

**Growth rate**
- +10.6%
- +3.2%
- +1.5-2.5%

**EBIT margin**
- 21.3%
- 19.0%
- 17-17.5%

**2018 Guidance**

1) FX-adjusted
2) Before special items
3) FY 2017
4) In % of Group Sales 2017

### Sales by region

**Sales FY2017: EUR 1,880 mn**

- Americas: 21%
- China: 3%
- Asia/Pacific: 73%

### Sales split by channel

- Components business: 82%
- Solutions business: 18%
- OES business: 2%
Components

- Traditional business with replacements parts
- Growing with global vehicle fleet
- Growing with average vehicle age

Solutions

- Complete sets and kits for plug n’ play repair solutions
- Increasing vehicle complexity leads to increasing need for information on workshop level
- Total repair costs are dominated by labour costs, driving more and more comprehensive, all-in-one quality repairs

Outlook

- Trends in OEM business fuel future Aftermarket potential
- Repair solutions will remain core growth driver going forward
- Additional aftermarket potential from intelligent repair solutions for E-axes and hybrid modules
Dedicated pull strategy for whole value chain – Workshop satisfaction key for success

The 7 levels of our market

**Plants**
- **SAAM**
- **Distributors**
- **Workshop**
- **Consumers**

Top 7 player
- Pull Strategy along all distribution levels
- 50,000+ workshops trained p.a.
- 5,000 distributors globally
- Market leader in Europe and Americas

**NPS**: 55

* Our Net Promoter Score – Workshop Level

**Value proposition – 7 elements**
- **Pricing**
- **Product**
- **Program/Systems**
- **Customer**
- **Availability**
- **Know-how and Tools**
- **CRM**

Source: 2016 customer satisfaction survey 0 ... 100 score
### Sales and EBIT margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (EUR mn)</th>
<th>Growth Rate</th>
<th>EBIT Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3,000</td>
<td>-4.8%</td>
<td>7.3%</td>
</tr>
<tr>
<td>2017</td>
<td>3,150</td>
<td>+5.7%</td>
<td>8.0%</td>
</tr>
<tr>
<td>2018e</td>
<td></td>
<td>+8-9%</td>
<td>10.5-11%</td>
</tr>
</tbody>
</table>

1) FX-adjusted
2) Before special items
3) FY 2017
4) In % of Group Sales 2017

### Sales by region

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater China</td>
<td>15%</td>
</tr>
<tr>
<td>Europe</td>
<td>57%</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>18%</td>
</tr>
</tbody>
</table>

Sales FY2017: EUR 3,150 mn

### Industrial sales by sector cluster

- Wind: 32%
- Raw Materials: 13%
- Aerospace: 11%
- Rail: 10%
- Offroad: 7%
- Two-Wheelers: 6%
- Power Transmission: 5%
- Industrial Automation: 5%
- Industrial Distribution: 9%
3 Divisional Highlights

Broad range of standard and customized products

Portfolio

Industry 4.0 services

Mechatronics

Mechanical Systems

Components

Rotative Technology

Services

Linear Technology

Region

Europe

Sector split

Wind

Raw Materials

Aerospace

Railway

Offroad

Two Wheelers

Power Transmission

Greater China

Industrial Automation

Asia Pacific

Channel

OEM & MRO

Distribution
3 Divisional Highlights

Mechatronics & Industry 4.0 Services – Hanover Fair 2018

Showcase SPIT – E-Motors
- Handling of SmartCheck + easy access to the Schaeffler Services Cloud & digital services
- Presentation customer reference + value proposition
- Product- & service- portfolio

Showcase ZF – Transmission
- Cloud-to-Cloud communication + Schaeffler Domain-Knowhow + openness of the Smart Ecosystems: Digital service without mechatronics
- Presentation customer reference + value proposition
- Product- & service- portfolio

Showcase PERLENBACH – Pumps
- Plain text messages SmartQB + autonomous relubrication + openness Smart Ecosystem: Entry level
- Presentation customer reference + value proposition
- Product- & service- portfolio

Showcase SSI SCHRÄFER – Logistics
- Condition Monitoring-solution and automated relubrication for logistics
- Presentation customer reference + value proposition
- Product- & service- portfolio
Agenda

1. Schaeffler at a Glance
2. “Mobility for Tomorrow” Strategy – Agenda 4 plus One Initiatives
3. Divisional Highlights
4. Long-term value creation
Sustainable value creation – Four main building blocks

**Building blocks**

1. **Outperformance in Automotive OEM**
   - Consistent growth above markets

2. **High margin in Automotive Aftermarket**
   - Resilient high margin business growing with market

3. **Margin upside in Industrial**
   - Continuously improving margin to 11-13%

4. **Strong Free Cash flow generation**
   - Strong operating Cash flow generation

**Key aspects**

- 3 divisions with different business characteristics and value drivers
- Resilient Aftermarket business compensates for Automotive OEM and Industrial business
- Strong Free Cash Flow generation as a key management focus

Profitable growth and sustainable value creation
4 Long-term value creation

Use of cash – Focus on future growth and attractive dividend

**Our Cash Flow formula**

Cash generation

+ Operating Cash Flow

+/− Δ Working Capital

− Capex (Internal Growth)

= Free Cash Flow

Cash usage

− Regular Dividend

− M&A (External Growth)

+ Financing Proceeds

− Deleveraging

= Δ Cash

**Key aspects**

- Strong cash flow generation from operating business and 3 main uses of cash:
  - Above average annual dividend pay-out (30-40% of net income)
  - Internal growth financed from operating cash-flow, external growth primarily by debt
  - Sound balance sheet, sufficient financing headroom to target external growth

1) Before Δ Working Capital
2) Including one-off long-term investment projects (i.e. Real estate)
3) Adjusted for one-offs
Free Cash Flow details YTD 2018 – Capex Ratio Q3 at 7.4%

Key aspects

- FCF before M&A at EUR 201 mn in Q3’18 (PY: EUR 333 mn), FCF conversion ratio 17%
- Lower EBIT and higher inventory level as main drivers for lower FCF before M&A
- Capex to sales ratio reduced to 7.4% in Q3’18 (Q3’17: 8.1%), showing more disciplined Capex spending

FCF Details
in EUR mn

<table>
<thead>
<tr>
<th></th>
<th>Q3 2017</th>
<th>Q3 2018</th>
<th>Δ Q3 17/18</th>
<th>9M 2017</th>
<th>9M 2018</th>
<th>Δ 9M 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCF as reported</td>
<td>333</td>
<td>202</td>
<td>(111)</td>
<td>244</td>
<td>126</td>
<td>(184)</td>
</tr>
<tr>
<td>Non recurring items 1)</td>
<td>10</td>
<td>9</td>
<td>(1)</td>
<td>103</td>
<td>85</td>
<td>(18)</td>
</tr>
<tr>
<td>AKO / EDC/Focus 2)</td>
<td>26</td>
<td>7</td>
<td>(19)</td>
<td>66</td>
<td>33</td>
<td>(33)</td>
</tr>
<tr>
<td>M&amp;A 3)</td>
<td>0</td>
<td>(1)</td>
<td>(1)</td>
<td>3</td>
<td>1</td>
<td>(2)</td>
</tr>
<tr>
<td>Receivable Sale Program</td>
<td>(54)</td>
<td>(47)</td>
<td>(7)</td>
<td>(54)</td>
<td>(47)</td>
<td>(7)</td>
</tr>
<tr>
<td>4 Long-term value creation</td>
<td>315</td>
<td>170</td>
<td>(145)</td>
<td>362</td>
<td>198</td>
<td>(164)</td>
</tr>
</tbody>
</table>

1) Including payments for legal cases and restructuring measures
2) Capex in major logistic projects Aftermarket Kitting Operation (AKO), European Distribution Center (EDC) and initiative Focus
3) Cash in- and outflows for M&A activities
4) LTM FCF before M&A divided by LTM EBITDA before special items
5) Capex in % of sales
4 Long-term value creation

M&A strategy – Focus on technology and execution

7 Search fields

- E-Motor Manufacturing Competence
- (Power) Electronics
- Industry 4.0 / Mechatronics
- Systems Expertise on Sector Levels

Key aspects

- Clearly defined M&A strategy based on 7 search fields with focus on technology, innovation and smaller add-on acquisitions
- Target transaction sizes to vary between EUR 100 – EUR 500 mn, strategic/cultural fit and value contribution as most important acquisition criteria
- 4 acquisitions made so far, growing M&A pipeline, disciplined execution is key to success

M&A transactions announced until November 30:

1. Compact Dynamics
   12/2016

2. autunity systems
   10/2017

3. PARAVAN
   8/2018

4. ELMOTEC, STATOMAT
   11/2018
“Steer by wire” – Key aspects

- Steer by wire is a key-enabling technology for the fast-growing market segment autonomous driving
- Paravan’s unique SPACE DRIVE technology is the only Steer-By-Wire System in the market which:
  - is road approved (> 500 Mio. Kilometers)
  - meets latest safety regulation standards
  - can operate also braking and secondary vehicle functions
  - can be scaled in to mass production

Selected components of the "Steer by wire"-technology

Acquisition – Key aspects

- Schaeffler acquires "Drive by wire"-technology from Paravan and its founder Roland Arnold
- Schaeffler establishes Joint Venture with Paravan founder (90%/ 10%) to develop and further industrialize the technology
- Acquired technology allows Schaeffler to enter the very attractive and fast-growing "Drive by wire"-market in an accelerated manner
- Closing in Q4 2018

Steer-By-Wire Systems

Market Development in EUR

![Graph showing market development](image)
Elmotec Statomat – Key aspects

- Elmotec is a pioneer in the production of stator manufacturing machines and one of the leading suppliers of machines for the production of stators for electric motors, alternators and generators.
- The headquarter of Elmotec Statomat GmbH is located in Karben near Frankfurt am Main (Germany). Elmotec has around 200 employees.
- Elmotec has been focusing on the round wire, flatwire and continuous-hairpin process technologies, and holds over 50 patents for innovative winding technology (e.g. wave-winding).

Innovative technology & production processes

Acquisition – Key aspects

- Schaeffler acquires 100% of Elmotec Statomat GmbH from its two founders who remain in charge operationally.
- Elmotec Statomat will be integrated within the E-Mobility business division.
- The acquisition complements Schaeffler’s E-Motor mass production and industrialization capabilities.
- Closing expected in Q1 2019.
Investor Relations

Phone: + 49 9132 82 4440
Email: ir@schaeffler.com
Web: www.schaeffler.com/ir
Sales growth Q3’18 +3.7%\textsuperscript{1)} – Region Americas and Greater China with highest growth rates

- Group sales up by +3.7%\textsuperscript{1)} (Q3’17: +7.4%\textsuperscript{1)}), all regions contributed
- Sales growth mainly driven by Americas (+7.6%) and Greater China (+6.6%, thereof: AOEM +2.5%; AAM +37.3%; Industrial +17.6%)

Key aspects Q3’18

Sales by region Q3 2018

- Americas +7.6%
- Greater China +6.6%
- Asia/Pacific +2.5%
- Europe +1.5%
EBIT Margin Q3’18 10.1% – 2.0%-pts. below prior year quarter

Key aspects Q3’18

- Gross profit margin decreased from 28.1% to 26.5% mainly driven by ramp up costs, project delays in China and higher production costs (including higher raw material prices)
- Increase in administration expenses driven by Agenda 4 plus One initiatives
- Reported EBIT includes EUR 21 mn positive special item

EBIT margin1)

<table>
<thead>
<tr>
<th></th>
<th>Q1’17</th>
<th>Q2’17</th>
<th>Q3’17</th>
<th>Q4’17</th>
<th>Q1’18</th>
<th>Q2’18</th>
<th>Q3’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive OEM</td>
<td>11.9%</td>
<td>9.4%</td>
<td>10.7%</td>
<td>11.2%</td>
<td>9.5%</td>
<td>9.0%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Automotive Aftermarket</td>
<td>19.2%</td>
<td>15.3%</td>
<td>23.1%</td>
<td>17.9%</td>
<td>17.9%</td>
<td>20.0%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Industrial</td>
<td>8.6%</td>
<td>8.5%</td>
<td>8.9%</td>
<td>6.1%</td>
<td>11.4%</td>
<td>11.8%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Total</td>
<td>12.2%</td>
<td>9.9%</td>
<td>12.1%</td>
<td>11.0%</td>
<td>11.0%</td>
<td>11.1%</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

1) Before special items
2) Reported EBIT of EUR 358m including EUR 13m positive special item
3) Reported EBIT of EUR 382m including EUR 22m restructuring expenses related to the dissolution of the internal supplier BCT
4) Reported EBIT of EUR 358m including EUR 21m positive special item

EBIT1) in EUR mn

-46 mn vs 9M 2017

EBIT margin1) 12.2% 9.9% 12.1% 11.0%

12.2% 9.9% 12.1% 11.0%
Automotive OEM – 5.2%-pts. outperformance versus market in Q3’18

Backup - Financial Highlights Q3 2018

Sales by business division

<table>
<thead>
<tr>
<th>Business Division</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
<th>Δ ¹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engine Systems</td>
<td>669</td>
<td>691</td>
<td>+4.1%</td>
</tr>
<tr>
<td>Transmission Systems</td>
<td>992</td>
<td>996</td>
<td>+1.2%</td>
</tr>
<tr>
<td>E-Mobility</td>
<td>103</td>
<td>128</td>
<td>+25.3%</td>
</tr>
<tr>
<td>Chassis Systems</td>
<td>374</td>
<td>376</td>
<td>+1.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,138</td>
<td>2,191</td>
<td>+3.2%</td>
</tr>
</tbody>
</table>

Key aspects Q3’18

- Outperformance Q3’18 of 5.2%-pts. versus global production growth
- All Regions outperforming despite weak market environment
- Business division E-Mobility with over 25% growth in Q3

Outperformance by quarter

- Q1 17: 0.6%
- Q2 17: 3.6%
- Q3 17: 5.0%
- Q4 17: 8.1%
- Q1 18: 3.5%
- Q2 18: 1.9%
- Q3 18: 5.2%
- FY 18e: (Growth rate Automotive OEM) 6.4%, (LVP growth) 5.8%

Sales growth ¹) Schaeffler Automotive Q3 2018 vs Q3 2017

<table>
<thead>
<tr>
<th>Region</th>
<th>Q4 17</th>
<th>Q3 17</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>+9.9%</td>
<td>+2.2%</td>
<td>+7.7%</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater China</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World production</td>
<td>-2.0%</td>
<td>-3.3%</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Schaeffler Automotive</td>
<td>+3.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

World production: World production of light vehicles Q3 2018 vs Q3 2017 (IHS)

Sales growth ¹) Schaeffler Automotive Q3 2018 vs Q3 2017

<table>
<thead>
<tr>
<th>World production:</th>
<th>Q4 17</th>
<th>Q3 17</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>+1.6%</td>
<td>-3.3%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Americas</td>
<td>+2.2%</td>
<td>-3.3%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Greater China</td>
<td>+2.5%</td>
<td>-2.4%</td>
<td>-4.9%</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td></td>
<td>-0.7%</td>
<td></td>
</tr>
<tr>
<td>World production</td>
<td>-2.0%</td>
<td>-3.3%</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Schaeffler Automotive</td>
<td>+3.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Automotive OEM – Q3 EBIT margin\textsuperscript{2) of 7.9\% (Q3’17: 10.7\%)

<table>
<thead>
<tr>
<th>EBIT\textsuperscript{1)} Q3 2017 vs. Q3 2018</th>
<th>in EUR mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT Q3 2017</td>
<td>229</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>-41\textsuperscript{2)</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>+1</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>-5</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>-12</td>
</tr>
<tr>
<td>Others</td>
<td>172</td>
</tr>
<tr>
<td>EBIT Q3 2018</td>
<td></td>
</tr>
</tbody>
</table>

Key aspects

- Gross margin declined from 25.6\% to 23.1\% mainly driven by ramp up costs, project delays in China and higher production costs (including higher raw material prices)
- Increase in administration expenses driven by Agenda 4 plus One initiatives
- EBIT margin 7.9\% in Q3’18 after 10.7\% in Q3’17

EBIT\textsuperscript{1)} margin development\textsuperscript{1) 10.7\% -2.5\%-pts +0.3\%-pts -0.2\%-pts -0.5\%-pts +0.1\%-pts 7.9\%

1) Before special items
2) Includes positive FX effects of EUR 4 mn
Automotive OEM – Schaeffler e-Axle transmission is driving the brand new Audi eTron Quattro

Schaeffler supplies both E-Axle Transmissions for the new Audi eTron Quattro

- Both E-Axles are based on Schaeffler’s patented Lightweight Differential technology
- The rear axle is build in coaxial design and sets a new benchmark in power density (230 Nm/kg).
- The front axle is build in parallel design and includes a parking lock with electro-mechanical actuator

Best-in class power density for E-Axle transmissions: 230 Nm/kg
Automotive Aftermarket sales by quarter

Sales by region

<table>
<thead>
<tr>
<th>Region</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
<th>Δ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>375</td>
<td>355</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Americas</td>
<td>106</td>
<td>89</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Greater China</td>
<td>14</td>
<td>19</td>
<td>+37.3%</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>11</td>
<td>13</td>
<td>+16.3%</td>
</tr>
<tr>
<td>Total</td>
<td>506</td>
<td>476</td>
<td>-3.0%</td>
</tr>
</tbody>
</table>

Key aspects

- Negative sales growth¹ of -3.0% in Q3’18
- Lower sales driven by lower demand from European key customers and high comps of OES business in Americas
- Unexpected weakness in Q3’18 cannot be compensated in Q4’18; FY sales growth¹ guidance adjusted to 1.5-2.5% (previously: 3-4%)
**EBIT**

**Q3 2017 vs. Q3 2018**

<table>
<thead>
<tr>
<th></th>
<th>Q3 2017</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>117</td>
<td>80</td>
</tr>
<tr>
<td>Change in EUR mn</td>
<td>-28</td>
<td>-3</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>117</td>
<td>80</td>
</tr>
<tr>
<td>-3.4% -pts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>-23</td>
<td>-2</td>
</tr>
<tr>
<td>-0.1% -pts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling expenses</td>
<td>-7</td>
<td>0</td>
</tr>
<tr>
<td>-2.1% -pts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>-2</td>
<td>0</td>
</tr>
<tr>
<td>-0.6% -pts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>-28</td>
<td>0</td>
</tr>
<tr>
<td>-0.1% -pts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT margin development</td>
<td>23.1%</td>
<td>16.8%</td>
</tr>
</tbody>
</table>

1) Before special items

2) Includes negative FX effects of EUR -5 mn

---

**Key aspects**

- **Gross margin decreased from 38.1% to 34.7% of sales, mainly driven by higher production costs and price pressure in some markets**
- **Selling expenses higher mainly driven by increased spending for logistics and temporary higher marketing activities**
- **EBIT margin 16.8% in Q3’18 after 23.1% in Q3’17**
Industrial Division – All sectors and regions growing in Q3

Industrial sales by quarter

In EUR mn

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Δ Q3 2017 vs 9M 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>782</td>
<td>808</td>
<td>790</td>
<td>770</td>
<td>+9.8%</td>
</tr>
<tr>
<td>2018</td>
<td>826</td>
<td>855</td>
<td>854</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sales by region

Y-o-y growth

<table>
<thead>
<tr>
<th>Region</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
<th>Δ Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>446</td>
<td>469</td>
<td>+6.3%</td>
</tr>
<tr>
<td>Americas</td>
<td>139</td>
<td>150</td>
<td>+10.1%</td>
</tr>
<tr>
<td>Greater China</td>
<td>130</td>
<td>151</td>
<td>+17.6%</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>75</td>
<td>84</td>
<td>+12.4%</td>
</tr>
<tr>
<td>Total</td>
<td>790</td>
<td>854</td>
<td>+9.4%</td>
</tr>
</tbody>
</table>

Industrial sales by sector cluster Q3 2018

Key aspects

- Sales growth\(^1\) of 9.4% in Q3’18
- Very strong growth driven by all sectors as well as Industrial Distribution
- Sector Wind back on growth path on behalf of stronger demand in China

\(^1\)FX-adjusted
**Industrial Division – Q3 EBIT margin**\(^2\) of 12.1% (Q3’17: 8.9%)

**Key aspects**

- Gross margin increased to 30.8% (Q3’17: 28.4%) driven by positive volume effects and favourable pricing.
- Successful execution on CORE\(^3\) – CORE I program completed, CORE II program well on track (Completion ratio of 40%).
- EBIT margin 12.1% in Q3’18 vs. 8.9% in Q3’17.

---

**Backup - Financial Highlights Q3 2018**

**EBIT\(^1\) Q3 2017 vs. Q3 2018**

in EUR mn

<table>
<thead>
<tr>
<th></th>
<th>Q3 2017</th>
<th>Gross Profit</th>
<th>R&amp;D expenses</th>
<th>Selling expenses</th>
<th>Administrative expenses</th>
<th>Others</th>
<th>EBIT Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>70</td>
<td>+39(^2)</td>
<td>-1</td>
<td>-3</td>
<td>-1</td>
<td>-1</td>
<td>103</td>
</tr>
</tbody>
</table>

**EBIT margin development\(^1\)**

- 8.9%
- +2.4%-pts
- +0.2%-pts
- +0.6%-pts
- +0.2%-pts
- -0.2%-pts
- 12.1%

---

1) Before special items
2) Includes negative FX effects of EUR -4 mn
3) Cost efficiency initiative
## Guidance FY 2018<sup>5)</sup> – Adjustment triggered by Automotive OEM business in China

### Group Guidance

<table>
<thead>
<tr>
<th></th>
<th>Old&lt;sup&gt;4)&lt;/sup&gt;</th>
<th>New&lt;sup&gt;5)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth&lt;sup&gt;1)&lt;/sup&gt; (in %)</td>
<td>+5-6%</td>
<td>+4-5%</td>
</tr>
<tr>
<td>EBIT margin&lt;sup&gt;2)&lt;/sup&gt; (in %)</td>
<td>10.5-11.5%</td>
<td>9.5-10.5%</td>
</tr>
<tr>
<td>Free Cash Flow&lt;sup&gt;3)&lt;/sup&gt; (in EUR mn)</td>
<td>EUR ~450 mn</td>
<td>EUR ~300 mn</td>
</tr>
</tbody>
</table>

### Divisional Guidance

- **Automotive OEM**
  - Old (before 4.5-5.5%)
  - +3.5-4.5% (before 4.5-5.5%)

- **Automotive AM**
  - Old (before 3-4%)
  - +1.5-2.5% (before 3-4%)

- **Industrial**
  - Old (before 10-11%)
  - +8-9%

### Market assumptions<sup>5)</sup>

- Automotive: Global Light Vehicle production growth **revised down from around 2% to around 0.5%**
- Automotive Aftermarket: Stable growth in the global vehicle population and a nearly unchanged average vehicle age
- Industrial: Similar growth rate of industrial production in 2018 compared to 2017

---

1) FX adjusted  
2) Before special items  
3) Before cash in- and outflows for M&A activities  
4) As of September 19, 2018  
5) As of October 30, 2018
1. Sharp expected market decline of China Light Vehicle Production/Sales is the key catalyst for reducing FY 2018 Group and Automotive OEM Guidance for sales and EBIT margin.

2. Softness in Automotive Aftermarket Q3 sales due to lower demand from European customers cannot be compensated in Q4, FY 2018 margin guidance at 17-17.5%.

3. Industrial Division on track, favorable development of Industrial sales continues, FY 2018 margin guidance at 10.5-11%.

4. Further short-term cost discipline measures initiated, while preserving our flexibility.

5. Increased focus on cash generation (stronger inventory reduction, stricter capex allocation), dividend policy unchanged (30-40% payout ratio).
### Key figures by Group and division – new structure

<table>
<thead>
<tr>
<th>Group</th>
<th>Q1 ’17</th>
<th>Q2 ’17</th>
<th>Q3 ’17</th>
<th>Q4 ’17</th>
<th>Q1 ’18</th>
<th>Q2 ’18</th>
<th>Q3 ’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>3,574</td>
<td>3,472</td>
<td>3,434</td>
<td>3,541</td>
<td>3,551</td>
<td>3,642</td>
<td>3,521</td>
</tr>
<tr>
<td>Sales Growth 2)</td>
<td>+5.4%</td>
<td>+2.2%</td>
<td>+7.4%</td>
<td>+8.5%</td>
<td>+3.9%</td>
<td>+7.9%</td>
<td>+3.7%</td>
</tr>
<tr>
<td>EBIT</td>
<td>435</td>
<td>358</td>
<td>416</td>
<td>319</td>
<td>391</td>
<td>382</td>
<td>376</td>
</tr>
<tr>
<td>EBIT Adjusted 3)</td>
<td>435</td>
<td>345</td>
<td>416</td>
<td>388</td>
<td>391</td>
<td>404</td>
<td>355</td>
</tr>
<tr>
<td>EBIT Margin 3)</td>
<td>12.2%</td>
<td>9.9%</td>
<td>12.1%</td>
<td>11.0%</td>
<td>11.0%</td>
<td>11.1%</td>
<td><strong>10.1%</strong></td>
</tr>
</tbody>
</table>

### Automotive Aftermarket

<table>
<thead>
<tr>
<th>Q1 ’17</th>
<th>Q2 ’17</th>
<th>Q3 ’17</th>
<th>Q4 ’17</th>
<th>Q1 ’18</th>
<th>Q2 ’18</th>
<th>Q3 ’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>484</td>
<td>444</td>
<td>506</td>
<td>446</td>
<td>446</td>
<td>479</td>
</tr>
<tr>
<td>Sales Growth 2)</td>
<td>+9.7%</td>
<td>-7.3%</td>
<td>+4.7%</td>
<td>+6.3%</td>
<td>-4.4%</td>
<td>+12.3%</td>
</tr>
<tr>
<td>EBIT</td>
<td>93</td>
<td>68</td>
<td>117</td>
<td>55</td>
<td>80</td>
<td>96</td>
</tr>
<tr>
<td>EBIT Adjusted 3)</td>
<td>93</td>
<td>68</td>
<td>117</td>
<td>80</td>
<td>80</td>
<td>96</td>
</tr>
<tr>
<td>EBIT Margin 3)</td>
<td>19.2%</td>
<td>15.3%</td>
<td>23.1%</td>
<td>17.9%</td>
<td>17.9%</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

### Automotive OEM

<table>
<thead>
<tr>
<th>Q1 ’17</th>
<th>Q2 ’17</th>
<th>Q3 ’17</th>
<th>Q4 ’17</th>
<th>Q1 ’18</th>
<th>Q2 ’18</th>
<th>Q3 ’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,308</td>
<td>2,220</td>
<td>2,138</td>
<td>2,325</td>
<td>2,279</td>
<td>2,308</td>
</tr>
<tr>
<td>Sales Growth 2)</td>
<td>+6.4%</td>
<td>+3.5%</td>
<td>+7.4%</td>
<td>+8.7%</td>
<td>+3.2%</td>
<td>+6.5%</td>
</tr>
<tr>
<td>EBIT</td>
<td>275</td>
<td>221</td>
<td>229</td>
<td>226</td>
<td>217</td>
<td>197</td>
</tr>
<tr>
<td>EBIT Adjusted 3)</td>
<td>275</td>
<td>208</td>
<td>229</td>
<td>261</td>
<td>217</td>
<td>207</td>
</tr>
<tr>
<td>EBIT Margin 3)</td>
<td>11.9%</td>
<td>9.4%</td>
<td>10.7%</td>
<td>11.2%</td>
<td>9.5%</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

### Industrial

<table>
<thead>
<tr>
<th>Q1 ’17</th>
<th>Q2 ’17</th>
<th>Q3 ’17</th>
<th>Q4 ’17</th>
<th>Q1 ’18</th>
<th>Q2 ’18</th>
<th>Q3 ’18</th>
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</thead>
<tbody>
<tr>
<td>Sales</td>
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<td>808</td>
<td>790</td>
<td>770</td>
<td>826</td>
<td>855</td>
</tr>
<tr>
<td>Sales Growth 2)</td>
<td>+0.2%</td>
<td>+4.5%</td>
<td>+9.2%</td>
<td>+9.0%</td>
<td>+10.8%</td>
<td>+9.3%</td>
</tr>
<tr>
<td>EBIT</td>
<td>67</td>
<td>69</td>
<td>70</td>
<td>38</td>
<td>94</td>
<td>89</td>
</tr>
<tr>
<td>EBIT Adjusted 3)</td>
<td>67</td>
<td>69</td>
<td>70</td>
<td>47</td>
<td>94</td>
<td>101</td>
</tr>
<tr>
<td>EBIT Margin 3)</td>
<td>8.6%</td>
<td>8.5%</td>
<td>8.9%</td>
<td>6.1%</td>
<td>11.4%</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

1) Proforma figures  
2) FX-adjusted  
3) EBIT before special items