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Operator
Dear ladies and gentlemen, welcome to the Schaeffler AG Q1 2018 Results Conference Call. At our customer's request, this conference will be recorded. As a reminder, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. May I now hand you over to Mrs. Renata Casaro, Head of Investor Relations, who will lead you through this conference. Please go ahead, madam.

Renata Casaro
Thank you very much, operator. Dear investors, dear analysts, welcome to the Q1 2018 conference call of the Schaeffler Group. The presentation will be led by the CEO, Mr. Klaus Rosenfeld, and the CFO, Mr. Dietmar Heinrich and the Q&A will follow later on. I leave the floor to Mr. Rosenfeld.

Klaus Rosenfeld
Renata, thank you very much. Good morning, ladies and gentlemen. Welcome to our Q1 conference call. We, as Renata said, are doing this together, Dietmar and myself and we will use the results presentation that is out to the public. As usual, we have structured it into two parts. I will focus on the business highlights and Dietmar is going to talk about the financial results in more detail.
Let me start on page 4 where you basically have the key messages that we want to convey to you. As said in the headline, we started into the year as expected; a solid first quarter. The news really is that we are reporting for the first time the three divisions. You'll see the key figures also compared to the previous year quarter on the left hand side of the chart.

Group sales on an FX adjusted basis was up by nearly 4%, 3.9%. The EBIT margin 11%, as expected, clearly below the previous year level, but exactly the mid-point of our full-year guidance 10.5% to 11.5%.

If you go through the three divisions, you see a heterogeneous picture, Automotive OEM with 3.2% growth. If you compare that with our 6% to 7% full-year guidance, you can already see that we assume and expect that the following quarters will grow faster and that is clearly supported by numerous new business contracts that give us assurance that these growth rates in the second half of the year are realistic and achievable.

If you compare the performance in terms of sales with the market you see that against a negative production growth number in Q1, we outperformed the market by nearly 4% or from our point of view indicates to you that we are on track with our sales. EBIT margin was at the lower end of the range, 9.5%. We are confident that we will achieve this range for the full year 2018.
Aftermarket has in the top-line a little bit of a temporary issue, a decline, FX-adjusted 4.4% and that is basically due to a baseline effect in Q1 2017, where in the U.S., we had a significant positive effect from OES driven sales for one large U.S. customer. That's something that happens during a quarter that could not be repeated in Q1 2018 and that basically explains, you will see this later on, this little top-line decline. We are also here confident that throughout the year we will achieve the divisional target of 3% to 4% top-line growth. The margin is slightly above the upper end with 17.9%, clearly below last year. We need to give you more quarters to let you understand also how this margin develops throughout a year.

The positive side is then Industrial 10.8% growth – a growth rate even above the third quarter and the fourth quarter 2017, clearly demonstrating that the Industrial division is back on growth track, growing faster than what we expected. The 10.8% growth rate should not be extrapolated towards the end of the year, but it is clearly on the positive end.
Also the margin has developed nicely in Q1 with 11.4%. Here we need to see how all of this unfolds, but we are also here confident that we will achieve the divisional guidance for 2018.

Free cash flow is slightly better than previous year, minus €71 million, a little impact from M&A, €2 million is within the €71 million from a little acquisition in the digitalization area that compares to minus €130 million last year, minus €130 million included around €20 million for M&A. So the delta is there, it's nothing unusual. It shows that free cash flow is also on track.
We have invested a little bit more than €300 million or 8.6% of sales that is slightly above last year and clearly a number that will continue to grow during the year.

We have initiated a transformation step yesterday that is related to our plants. We have, as you know, 72 plants today, some of which are allocated directly to the divisions, Automotive OEM and Industrial, others not. They form something that could be described as an internal supplier for bearings technology, that's also why it's called Bearing Components & Technology. It's a large sort of shared services group within the Schaeffler Group that was established some time 2013-2014.
We now decided, after revisiting the success of this unit for three years, to reallocate the plants and move all the plants directly into the divisions. This move is basically driven by the idea that we need to enhance and should enhance
customer focus; that this will help us to raise internal synergies and improve efficiency. And that is very close to my heart – it's also a step to enhance accountability to make sure that costs are allocated more directly to the divisions and also to foster the entrepreneurial spirit of our plant managers, but also their direct results responsibility. So it is a major step going forward. It is an add-on to Agenda 4 plus One. The €60 million improvement in our results should be added to the €300 million that we have already communicated. The €60 million is targeted to be 100% achieved in 2021. The €300 million, as you recall from the full-year results conference, is targeted to be achieved in 2022. The move will come together with expected restructuring provisions in the second half of this year, probably in the fourth quarter. That would be a special effect or a special item. So for 2018, this move has no immediate impact on our guidance. It is, from my point of view, a move that is necessary. It's also nothing spectacular, because other companies do the same. It's part of our ongoing activities to optimize our cost base to continue to improve efficiency, so nothing unusual.

We waited with this step until the three divisions were fully established, because that was a prerequisite. It's part of a long-term plan to make this group more efficient and also improve its profitability. It has nothing to do with the ongoing results. It is again part of a continuous exercise to see where we can improve. It does also not change our financial ambitions. As you know, the financial ambitions are not guidance, they are our ambitions. This move should help us to achieve or even over-achieve our financial ambitions. Last point here, guidance is confirmed. At group and divisional level, we're expecting, as I said, accelerated growth in the second half of the year.

So that's the summary, let me quickly go through the next pages. You have read the numbers, I don't need to repeat all of this and Dietmar is going to give you more insight.
**Automotive OEM – Sales growth**

- **FX-adjusted sales growth in Q1 ’18 +3.2%**
- All business divisions contributing, new business division E-Mobility +6.6%

- **Outperformance of 3.9%-pts versus market** – Driven by continued positive development in Greater China and Americas

- **EBIT margin** in Q1 ’18 at 9.5% (PY 11.9%) – Higher R&D expenses and costs resulting from initiative E-Mobility

- **Very positive customer response** on Schaeffler Symposium – New Hybrid Transmission and Schaeffler Mover
I want to talk about some of the qualitative things, in particular on page 5 about the Schaeffler Symposium and our innovation with respect to a new hybrid transmission, but also the Schaeffler Mover. Apart from the numbers, we have had a very well received Schaeffler Symposium, page 6, with 400 customers, more than 100 exhibitions and technical presentations, 12 world debuts. One was also shown later at the Annual General Meeting, the so-called Schaeffler Mover. It's a prototype that has our wheel hub motor for the first time on stage where we demonstrated that chassis and also powertrain is something that is very much linked together when you think about urban vehicle concepts. So apart from the optimization of our offerings in the whole area of E-Mobility and hybrids, you see on page 6, this new HV hybrid transmission that was very well received. We are clearly showing that we are up to speed with respect to innovation in the automotive area.
Automotive Aftermarket, page 7 has the numbers. I explained the temporary weakness in sales region Americas due to the strong base effect. Dietmar is going to extend more on this and I explained that we are confident that for the rest of the year, we will meet our targets.
What is important and that's displayed on page number 8 is that Michael is continuously working on improving its operational excellence and also improving the service quality. You have four examples here. We opened a new warehouse in Lyon. We have extended the product range with a new repair solution for LUK GearBOX. Customer focus plays an important role. The guys in Aftermarket are very proud about this Asia-Pacific Appreciation Award. It’s part of our continuous move into Asia-Pacific and China building our footprint there and then efficiency plays an important role as well. We have achieved in the first quarter, the full integration of a complex legal entity structure carrying the Ruville brand name in Hamburg that will also help us to reduce cost.
Industrial, here page 9, the numbers, you have seen them.
What I would like to highlight and you know this Industry 4.0 for us is the twin brother of E-Mobility, one of our major strategic initiatives, where we see significant business opportunities and growth potential. All of this was shown and you see it on page 10, during Hannover Fair where we focused specifically on Industry 4.0, showed a range of, from my point of view, very interesting use cases, condition monitoring, digital services for gearboxes, a corporation with ZF, very successful; but also in the logistics area with our new EDZ Kitzingen that started – had its SOP last week, long-awaited important investment to optimize logistics of our Industrial division, and a lot of good ideas, a lot of good business and great interest from our customers.
Let me come to page 11, free cash flow. I already mentioned the €-71 million reported free cash flow is better than Q1 2017, again it's a quarter and not the full year. We need to see how the rest of the quarters go with all the growth coming up, clearly working capital plays an important role. You know that we had sold receivables for the first time in Q3 and Q4 2017. No impact here from further sales of receivables. We have continuously maintained the €150 million level.

If you – and I already talked about the little impact from M&A, if you look at the breakdown on the right-hand side of the page where we break out the unusual items, you'll see that the underlying free cash flow with the €-17 million in Q1 2018 is even better than in Q1 2017; €33 million were used for non-recurring items, €19 million, same number, more or less for the investments into the special investment cases, M&A and nothing changed on the receivable program side. So I see that – you see that the quality of the cash flow line is in line with Q1 2017.
Let me quickly highlight then, before I hand over to Dietmar, this transformation move that we announced yesterday on page 12. You see here a simplified comparison of today and tomorrow with respect to our global plant network. Today, 72 plants in 61 locations; of the plants 37 plants directly allocated to Automotive OEM, 9 plants allocated to Industrial and 26 to BCT and Operations. If the plants are directly allocated, they are part of a sort of end-to-end operation steered by the divisions. BCT and Operations should be looked at as a corporate service area, where it's clearly more difficult than for the divisions to steer directly.

There are certain interfaces that need to be looked at, there is a certain level of overhead for this unit that could be questioned and in particular, with respect to the market requirements and driven by the idea that we should simplify the structure and drive it more entrepreneurially, we decided to move all the plants into the divisions and you see here a split, the 72 plants become 80 plants. Why is that? Because, we decided that it is also best practice market standards that certain very big plants, we have plants that have more than 5,000 people, shall be split into two plants residing at the same location.

And if there are two plants at the same location, we would call these plants campus plants. That explains the higher number and that explains why in future we will have these campus locations. At the campus locations, we would also bundle them to certain shared services for those two or three plants at the location and that would give us another potential for cost synergies. So, it's an
important move. We're dissolving the Bearing Components & Technologies as a whole. We're integrating the whole group into the divisions. We are relocating the plants to the divisions. We are simplifying the structure, making it more agile and leaner, reducing overhead and also reducing the percentage of allocated cost. And when you see the little pie chart here at the bottom of the page, I think you see something that is describing why I think more accountability is so critical. Today, 43% of the overall headcount is allocated directly to the divisions and 57% is not. It's an indication also for the cost side, and in future, 80% of the headcount will be allocated to the divisions and only 20% will be allocated. And if something is directly managed by the divisions and is directly part of an earnings response or a results responsibility, I think that should also help us to drive results and to deliver what we promised. So that is an important move here also in terms of the steering model, in terms of achieving more accountability, a better business focus and raising efficiency.
That's on the next page, you know these pages from CORE simple logic. We have calculated the full run rate of cost savings that we want to bring down. Our target is €60 million. That should be achieved in 2021 with full run rate, 950 jobs will fall away, 450 in Germany, 500 somewhere outside Germany. These are clearly indicative numbers that we need to further validate that has now been started and we think we probably need €50 million of restructuring provisions in 2018. How the impact will unfold over the next years remains to be seen, but probably the CORE experience is helpful here that this will – how this will impact then 2019 and 2020. We don't have these numbers yet, because this was announced yesterday. As soon as we have them, we will share them with you. The difference to CORE, ladies and gentlemen, is that this will impact Automotive OEM and Industrial, the indication at the moment, again, indicative figures is, of the €60 million, €27 million will impact Industrial and €33 million will impact Automotive OEM.

Let me add one more thing, the €50 million restructuring provision, as it's a special item, is not part of the guidance for this year. So it will not have an impact. We need to see what's happening with some other one-offs and how this impacts the year, but we have clearly said that we keep our guidance and we are, as I said, confident, over the mid-term that this will help us to achieve our financial ambitions. With this, I hand over to Dietmar for more details on the numbers.
Okay. So, thank you very much. I would like to skip page 14 and go into the details with looking at page 15 again picking up the point of our sales development..
We crossed €3.5 billion in sales in the first quarter, which is equal to a growth of 3.9%. And as you can see on the lower right side of the chart, actually China was again a significant contributor to that, with growth contribution of 18.1% and now reaching a level of 17% of our group sales.
So still this is a well balanced portfolio. We expect in line with our guidance a further acceleration of our growth in the second half of the year.
And with this one, I would then like to switch to page number 16. Here, you can see the profit development. As Klaus already mentioned, we are closer to €400 million EBIT at the end of the first quarter, which is equal to 11%. You can also see the explanation on the right side that actually our profit was significantly influenced by negative FX impact. On a gross profit margin level, we saw a decline from 28.9% to 27% and the big portion actually that influenced this is coming from the foreign exchange impact. In addition, when looking to the EBIT development, we have increased costs coming from our Agenda 4 plus One, which we already outlined when we provided the figures for the fiscal year 2017, and also additional cost for the expansion of our Automotive Aftermarket distribution network, especially in China and Asia-Pacific, and you will see later on how sales are developing over there.
When we look then to page 17 and we look to the Automotive OEM side, we can see actually then the growth of 3.2% and looking or comparing this with the market, we can see that we outperformed the market by 3.9%, which is in line with what we are targeting. When looking to the upper left side of the chart, you can see that not only the region Greater China contributed to this, but also America; actually we had an outperformance of the market in Asia-Pacific, that was not exactly on the same level, but also contributed in that regard.

When looking to the right side of the chart, you can see what we reported for the first time, our E-Mobility figures. At the end of the first quarter, we crossed €100 in sales, which is an increase of 6.6% to previous year. But we have to keep in mind that this is not just pure E-Mobility solutions like e-axles and hybrid modules, but it's also including products which, from our assessment, are very closely related to the future of E-Mobility and it's including, for example, double clutch solutions and actuators. As a whole for the year 2018, we expect to be on a level of over €500 million, in a range of around €500 million to €600 million in sales. So you can also see that we expect a further acceleration in regard to sales in E-Mobility in the second half of the year.
Now, we're moving to page 18. We can see the profit development and here you can see specially the strong impact coming from the gross profit side and this is on one side the foreign exchange impact. Out of the €66 million negative gross profit impact, €45 million are caused by the foreign exchange impact. And additionally by the ramp up cost for the various ramp ups we are doing.

Another important topic to mention again is the increase in our research and development expenses to support our focus on one side into E-Mobility, but also to support our continuing focus on improving the gasoline engine or let’s say internal combustion engine. So with these additional expenses that we did in the first quarter, now our research and development expenses in Automotive OEM increased to 8% of sales. And yes, [inaudible] our EBIT in the first quarter of €217 million, which is at 9.5%, so this is at a lower point of the guidance that we provided.
In regard to Automotive Aftermarket, we can see on page 19, actually that we reached €446 million in sales, which is a decrease of 4.4%, but this is actually in line with our expectation. And we can see on the right side the impacts being caused by Europe and Americas. And the reason for this is that we had an extraordinary strong first quarter in 2017 where a customer of ours opened new warehouses and did an initial stocking, so that actually the demand was for this replenishment. And in addition, we had strong OES sales with one customer due to some [inaudible] in the first quarter, so actually we also had a kind of special economic positive impact for OES sales in the first quarter of 2017. So actually in summary, we had a high or a strong base, which we have not been able to beat, but we are sticking to our guidance for the whole year, and we will also have the accelerated growth in the coming months.
Looking into the profitability of Automotive Aftermarket, we can also see basically a slight drop in regard to the gross profit margin and again, this is being caused to some extent by foreign exchange impact, but also by the lower volume. And we have a slight increase in the selling expenses, which is actually being caused by the expansion of the distribution networks. And on the previous slide you could see that especially the markets in China and Asia-Pacific contributed to the sales growth.
Now, moving to the Industrial division and looking on page 21, we reached now a level of €826 million sales, which is a fantastic growth of 10.8%. And we can see that basically all regions contributed to the growth. Again, China, significant contributor, but also our biggest Industrial market, Europe contributed with a growth of 8%. And when looking to the industrial sectors, you can see that basically almost all of the sectors, including our Industrial Distribution area contributed with growth of around 10% or more to this growth of 10.8%.

Nevertheless, despite this very positive development, we expect a normalization in the coming quarters as the base impact from the lower first quarter last year and the ramp up of the sales development during the last year then actually normalize.
This positive sales impact also had an impact on the profit development. As you can see on page 22, we've reached a level of €94 million in the first quarter, which is equal to 11.4%.

We can see that on one side, we had also here negative foreign exchange impact, but with additional volumes that we could realize in the market, we over-compensated that impact and with the measures in regard to our two phases of CORE in the overhead area and in the plant area, we have been also able to significantly improve in this regard. So this explains why our profitability actually in the first quarter is on such a high level. Nevertheless, as Klaus mentioned that our new European distribution center actually hit our SOP during the last days and the expense are going to ramp up. In addition now, during the handover period, from the former distribution network into the new distribution center, we will have redundancy cost which we will then finally reduce when all this is transferred. So we will have an impact in regard to additional costs on the coming quarters before this can get to the planned efficiency level.
Summarizing all these impacts and looking on page 23, you can actually see that our net income is equal to €240 million, which is equal to earnings per share of €0.36. That's a decline, which is mainly caused by the lower EBIT margin as we explained before.
And then switching over to the balance sheet side and as we can see on page 24, in regard to the working capital development, we have an increase compared to the fourth quarter to close to €2.6 billion. But it is a significant reduction compared to the first quarter of last year and it also contributed to the positive development on the free cash flow side that was already mentioned by Klaus as well.

Our CapEx continues to be strong, in line also with our expectation for this year. So we spent around €300 million in the first quarter, which is equal to 8.6% of the amount.
Now, moving on to look to the debt side. Our net financial debt, in conjunction with a slight negative free cash flow, increased slightly to €2.439 billion, which is equal to a gearing ratio of 89%. So even with this slight increase, we further improved our gearing ratio. And with having said this, I would actually like to conclude my report on the financial statements and the figures. I'm handing back to Klaus then to summarize.
Well, Dietmar, thank you very much. The summary is on page 26 and I've said it before, so nothing spectacular. We confirm once again our guidance for the full year 2018, 5% to 6% sales growth, 10.5% to 11.5% EBIT margin before special items, so excluding the potential €50 million restructuring provision and a free cash flow of around €450 million. You see the divisional guidance also confirmed. And let me also say this loud and clear, we are also, after the experience of last year, fully committed to deliver on these results. The additional restructuring and reorganization move gives proof of that. It's clearly all about handling and gearing a business, a global business through a challenging market environment, but we're not only confident, we are fully committed to make sure that this year, the guidance on a group level and the divisional level holds. Thank you very much. And back to the operator and Renata.
Thank you. Thanks for taking my questions. Good morning, guys. And the first one, I guess, would just be on the Automotive growth that you're expecting in the second half of the year. You've talked about a high number of product launches in the second half. And I guess, therefore, expecting growth to accelerate as we move through the year. I'm just wondering if you could provide a bit more detail on – be a bit more specific about the products, and I guess it'd be first one.

And the second and related to that would be on E-Mobility growth, 6.6% for a business which I certainly get the impression is growing at a much faster rate, feels disappointing. But I appreciate the guidance that Dietmar has given, the €500 million to €600 million of sales for the year. I was just wondering if you could talk about how that compares to your expectations. Is the 6.6% in line with what you're expecting for E-Mobility?

My final one would be on the group profitability and just the seasonality of margins. You've reported an 11% margin for Q1. When I look historically, particularly in Automotive, Q1 has tended to be a seasonally strong EBIT margin quarter. Is that something – is that a trend that we should continue to expect, i.e., Q1 being stronger or is there something else perhaps that has played kind of a part in that historically? Thank you very much.

Klaus Rosenfeld
Thank you for the question. Let me start with the last one. Again, we are giving guidance for full year and I don’t think that there is a situation where we can just look at the past and say the margin is always better in the first quarter. We are, as you know, in a transformation situation. In the past, we didn't have the Agenda 4 plus One. You all know that the Agenda 4 plus One impacts the Automotive division and the results of the Automotive divisions through the investment in E-Mobility. So I think you need to be a little bit careful with any pattern from the past when you say why is it now less strong in the first quarter. Again, we are committed to deliver the 9.5% to 10.5%. This is at the lower end of the range. We know that, but again, this is a full year figure and not a quarterly figure. So let's be a little bit patient here and see how the second quarter goes and how that works together. Again, we are confident that the full year will work out.
In terms of the growth, you are asking about the product launches. We're not sharing with public the number of product launches. There are numerous launches this year, never had as many I can say and what I could give you maybe as a little bit of an indication, these launches are not only focused on E-Mobility. They are coming across the board. There is significant growth expected in the engine area and that has nothing to do with E-Mobility, very important customer names also, new engine products, that's an area that will definitely support the growth in particular towards Q3 and Q4. Also in the classical transmission business, there is – there are some very large customer projects that have been originated in the previous years that will start to produce sales in Q3 and Q4, also names from across the board, U.S., Germany, China. And also the chassis area is continuing to grow, not as fast as we say. When you think about E-Mobility, in terms of growth rate, that is clearly the highest growth rate in terms of percentage. It will continue to grow, but also here, please do not expect the E-Mobility exercise as a one-year exercise. It's a mid-term program and we are now, I think, the first company that is giving a booked reported sales figure for such a division. Be a little patient here. We need to think that through on a mid-term basis. You mentioned the €500 million that I indicated, that's clearly a number we're shooting for in 2018 and this is supported by a range of booked customer projects. Again, not only e-axles as Dietmar said and not only hybrid modules, also other things, but we are definitely in business. And I can say because that's an obvious question, there are no new customer projects at the moment. That's not because we are not competing for things, but that's simply because we have our hands full to handle those that we have on our plates with our – still our eight serial contracts, it's important that we deliver on these contracts. And then there are more than 25 other projects that are running.

So, we feel very good about this pipeline and it's now time to deliver and see that we please our customers and their customers.

Raghav Gupta-Chaudhary, Citigroup Inc
Okay. Can I ask for a little bit more information in terms of disclosure, E-Mobility sales in 2017, what did you achieve?

Klaus Rosenfeld
I don't have that number at hand. We will share that with you.

Raghav Gupta-Chaudhary, Citigroup Inc
Okay. Thank you. Thanks for the answers. Cheers.
Klaus Rosenfeld
Cheers.

Christian Ludwig, Bankhaus Lampe
Good morning, Renata. Good morning, gentlemen. Two questions from my side.

The first one regarding your restructuring or regrouping of your, as you call it, internal supplier. Maybe you could come back because you said you just four years ago built this internal supplier. What did you have in mind there, what changed over time that you say you have to change again? It will be my first question.

And related to that in a sense, as you explained very well, you have a very strong growth track record ahead of you. Is this really the best time to do such an internal restructuring at the same time? Would that not risk that your ramp up of all these new projects gets delayed? And the second question will be on the Industrial business. The 11.4% margin that you posted in Q1 has been the best margin for a couple of quarters now. Is there anything there that makes you worry that the next couple of quarters would be significantly weaker that you stick to your guidance? Thank you.

Klaus Rosenfeld
Well, maybe I'll leave the second question to Dietmar and answer the more strategic question on the restructuring. You asked first what drove your decision to redo or revisit the decision from 2013. In 2013, the idea was that we should bundle our competence in the whole bearing production area. And at that time we were clear that this is a balance between synergies from this bundling and having this under one roof. On the other hand, making sure that we can still steer efficiently, we don't create any double work. People can synchronize their signal they get from the market with the signal they need to do their production.

And at the time, we said let's give it three years; it's a little bit of an experiment. It was before we became public. And we said after three years and asked ourselves has it really brought the synergies we wanted and the answer was no. Has it created dis-synergies, the answer was yes. And therefore, we said it's now time to do it. We then waited for the three divisions, because you can imagine, if you do something in that magnitude, it changes a lot of interfaces within the company. Always something like this creates a little bit of uncertainty. But and that's the second part of your question, that risk from my point of view is manageable, because we are not dealing with a single job somewhere, we're dealing with full
plants that now get allocated. So you basically need to think about this that the 26 plants will be moved from the BCT internal division into Automotive or Industrial, that as such is not a very difficult move. If you think about the overhead and we're talking about around 1,000 people in overhead that this unit had, then this overhead is not relevant for any of the new products that we're doing or for the product launches. So your question is a legitimate question and clearly something that we have to watch out for, that the execution of this is seamless, very sort of straightforward. But I don't see a big risk that this negatively impacts the business. However, it's a major move and we are clearly committed to monitor what's happening.

I would like to add and give it a little bit more flavor, for me, it's important that our business leaders, the plant managers, also our people in the functions see this as an important move to increase and enhance the idea of accountability for results and contributions throughout the group. We have seen this last year. We were wildly unhappy what happened last year and this is also something that needs to be seen as a reaction on making sure that people stand up for the numbers I promised and can also deliver on this promise with having access and also responsibility for the cost base, let's say, are responsible for this. So it's more than just moving plants around, it's a fundamental step in improving our performance culture within the company.

Christian Ludwig, Bankhaus Lampe
And on the Industrial business, the margin?

Klaus Rosenfeld
Dietmar is going to take over on the Industrial business.

Dietmar Heinrich
Yes. In regard to the Industrial margin, you could see in the explanation in the bridge actually that a strong contribution was done by the gross profit development, so it's an operating leverage that we are having there. I explained that we actually expect the sales growth normalization during the remainder of the year, so that strong impact in regard to profit that we had in the first quarter, we will not continue to see, but for the whole year we stick to our guidance of 9% to 10%. So this is explaining that actually we expect slightly weaker quarters for the remainder of that year.
Klaus Rosenfeld
And maybe one additional information to Mr. Gupta from Citi, we'll get the exact number, but according to what I have in mind, the full year 2017 number for this E-Mobility division that we have not disclosed so far, it's close to €400 million. So from €400 million to somewhere €500-million-plus, that's a growth rate that we're expecting there.

Christian Ludwig, Bankhaus Lampe
Just as a quick follow-up, is it fair to assume with this start of the year for the Industrial division that you will probably rather end up at the upper end of the guidance for the Industrial business rather than the lower end?

Klaus Rosenfeld
Well, with a growth rate of 10-point-something-percent and the guidance of 3% to 4%, I think that's a very fair assumption for the time being, but let's see how it unfolds. We are not changing guidance to be clear, but we need to see what the second quarter brings and then we're going to revisit where we are. But it's definitely a positive development in Q1.

Victoria A. Greer, Morgan Stanley
Good morning. Two on the Automotive Aftermarket business, please. It was clear when you talked about the one-off impact of North America and OES in the quarter, but Europe organic growth was also down, Independent Aftermarket was also down. Can you talk a bit more widely about what's happening in the top line for Aftermarket?

And then staying on Aftermarket, the margin 17.9% in Q1 has still been above the full year guidance range. So, what costs are you expecting to come in for the remainder of the year? I guess you probably have the opposite effect that you have in Industrial in that probably the top line should get better and so we might expect bit of leverage there? Thank you.

Klaus Rosenfeld
Okay. In regard to the top line development, to make sure the impact has been that one of our customers did open a new warehouse and did his initial stocking then. It was a special development in the first quarter of last year. So that's the reason why actually the sales in the first quarter this year dropped. And as I said on the OES side, this was also that one of our customers had a special demand in...
that regard during the first quarter of last year, which actually did not recur consequently as well.
In regard to profitability, we are working on enhancing our network in Asia-Pacific and in China, and we will have additional logistic cost then from strengthening our distribution network there. So that's actually why our margin was a little bit better than actually the full year guidance now in the first quarter.

Victoria A. Greer, Morgan Stanley
Okay, thank you. But the one-off you talked about with the one customer with a new warehouse, that I guess is all in North America and in OES, or it's across the board?

Klaus Rosenfeld
No. The OES was North America and the new customer was – or the customer was in Europe.

Victoria A. Greer, Morgan Stanley
Okay, all right. Thank you.

Marc-René Tonn, Warburg Research
Good morning. Two questions from my side. One would be on the Automotive OEM business. [inaudible] increase in the R&D ratio to 8.0%. My question would be, is it the ratio we should also expect for the year as a whole and the years ahead or are you expecting this ratio to go further up or to come down from that level?

And the second question would be a bit on the profitability of the Automotive OEM business. I think you mentioned €45 million negative impact from FX in the gross profit. I think at least part of that being compensated by others through the hedging. However, this is just plus 21 year-on-year. So either it was not that – let's say the hedging was not sufficient to cover that up or is there anything which is offsetting that. That would be nice to have, let's say, some more granularity and perhaps how much of the year-on-year effect we have from Agenda 4 plus One in terms of our earnings burden and from the ramp ups, I think which also played a major role here. Thank you.

Klaus Rosenfeld
Maybe I take the question on the Agenda 4 plus One, and again we gave you for the full year a little bit of a split and said €159 million was the impact from all the
20 initiatives in 2017. We also said that's a ballpark number that for 2018 would probably again to be expected. And in the first quarter, it is not sort of just the same number as in the previous year, but it's in the ballpark of a quarter of what we're expecting for the year. So if you take €159 million from last year that sits at the moment in the numbers and if you take the 11% and then compare it to the 12.2% of last year, you see that the underlying profitability is clearly there.

If you think that through from a divisional point of view, don't forget that what we said for the full year, it's still relevant for the first quarter. The negative impact in terms of profitability is clearly something that goes predominantly into the Automotive OEM part, because that's all the ramp up cost, the investment into E-Mobility. While on the other hand, the positive impact on the Agenda 4 plus One comes through to CORE and CORE is clearly starting to pay off as you all know from the two initiatives, so that's the impact on the divisions. Again, we have decided not to give any more numbers or make it even more complex to do this on a quarterly basis. But that is clearly something that impacts at the moment the Automotive OEM number and we need to see how that unfolds throughout the year. I can say Agenda 4 plus One is fully on track. We are monitoring it week by week, month by month and it is also improving in terms of delivery. We thought we don't give you even more detail in the first quarter because we did this restructuring, but it's clearly something that we want to explain to you in more detail during our Capital Markets Day in the summer. Dietmar, do you want to do the second part?

**Dietmar Heinrich**

Okay. Now coming to the let's say profit related part, first of all, talking about research and development expenses, actually we expect them to continue in a range of around 8% during the course of this year. But also looking forward, our intention is to stay in that range. Of course, this can be influenced in case of unexpected projects or something, we will need to see. But first of all, we're going to stay in that range of 8%. In regard to the profit impact, we talked about the foreign exchange impact on the gross profit side, which was negative. Yes, it's compensated, but only partially compensated by the hedging and that's related to the fact that actually we are doing a cash flow hedge and that then basically leaves, let's say, certain portion open. What we see on the gross profit is also caused by translation and transactional impacts. So that's why only part of this is compensated.

And in regard to the ramp ups, due to the expected significant increase in the second half of this year, but also already additional ramp ups taking place in the
second quarter, we are doing busy preparation in the factories and this is also one of the reason why we have additional ramp up costs right now in the first quarter.

Marc-René Tonn, Warburg Research
Thank you.

Sasha Gomez, Credit Suisse
Yes, good morning. Thank you for taking my questions. The first one would actually be on working capital. You had a significant improvement on a year-on-year basis. And when I look at the seasonality last year, Q1 was kind of the high point in terms of working capital on a relative basis. So should we expect a similar pattern this year or is the significant acceleration of growth in the second half kind of negative, we should keep in mind? And then secondly on Industrial, maybe you can update us on potential bottlenecks considering the high growth rates we're seeing and also how pricing is doing on the Industrial side? And then last but not least, on the chassis systems, the organic growth rate was much weaker compared to the other divisions in the first quarter. Was there any specific reason for that and how should we think about the growth rate in the coming quarters? Thank you.

Klaus Rosenfeld
Okay. Maybe let me start with the working capital part. What we are having there, we actually did an initiative to improve the working capital and what we did when looking on the accounts payable side, then looking to the payment terms, but also looking to the way how we are paying. We already implemented the related measures during the course of last year. So we see an improvement there, but it already took place in the second half of last year. So that's why actually, especially compare Q1 last year, Q1 this year, we see positive impact. And then you might recall that actually we did an asset-backed commercial paper program in the third quarter, and especially fourth quarter of last year, where we ramp up basically to a level of around €150 million. It was now amounting to €156 million as per the end of first quarter and we are targeting to keep that level stable. But that was not in place in the first quarter of last year, so that also helped to improve then the working capital on that side. But as I said, we are not planning to extend that program right now. We are planning to keep that on a stable level.

Then in regard to growth, shall I continue then?
On the Industrial side, you talked about the bottlenecks and we faced strains in the supply chain last year. We established a special investment program amounting to close to €200 million, special CapEx, which actually was initiated in the third quarter of last year. So depending on the delivery time for machinery, which is normally longer for, let's say, machines compared to assembly line; this improvement of the situation is kicking in step by step, so that we see improvement. We still have a strain on the supply chain. Due to this, we still have issues sometimes that we need to have a special freight to compensate and there are gaps in the expected delivery times, but we expect a further improvement of the situation.

With regard to pricing, we do not comment on the specifics, I ask for your understanding.

On the Chassis side, we had indeed some ramp up also in the first quarter of this year – and we see the positive development. I think [inaudible] finally that we see more ramp ups, especially we're looking to the absolute impact coming from the other three divisions in the remainder of that year.

Sasha Gomez, Credit Suisse
Okay, great. Thank you very much.

Julian Radlinger, UBS
Thank you very much. Good morning, gentlemen. Thanks for taking my questions. So two from my side. Number one, it's on the E-Mobility revenue that you expect for the full year, €500 million to €600 million. Mr. Rosenfeld, you just said last year you had around €400 million, so that implies an increase of €100 million to €200 million. That's quite a substantial portion of the organic growth that you're expecting for the full year in the Automotive division, certainly a double-digit percentage amount of the organic growth you're expecting. And so assuming, and please correct me if that's wrong, that E-Mobility revenues will come along with a lower margin at least over the next one, two, maybe three years as volumes ramp up, and the value add in these product is much lower than in your bread and butter traditional business. How should we think about the margin dilution impact specifically from these e-axle and hybrid module revenues which are really going to start kicking in now, this year, second half of this year and next year?

And then the second question I have is on overall Automotive OEM order intake. Last year your order intake declined year-on-year. I acknowledge that there was a difference in the semi-annuals, but on a year-on-year basis it was lower, it was even lower than your 2015 order intake altogether. So, maybe if you could – I know, you don't want to give us a quarterly indication, but maybe if you could
give us some color around how order intake has developed since the start of the year? If you're looking for a flattish order intake this year or another decline or a bounce back that'd be really helpful? Thanks a lot.

Klaus Rosenfeld
Okay. Let me start with the last part, we said that we are committed; that we do this on a half year basis, so I can't give you any numbers. We saw that this number came down a little bit compared to the previous year, I think from 1.4 times to 1.3 times. It still indicates growth and I think we should not overestimate a 0.1 times dip there. What is important to understand that the trend as such is pointing in the right direction and I think that is definitely also from what we see at the moment the case.

In terms of margin, yes, we are not reporting margins on a business division level. We are breaking up with this E-Mobility number. You're right, it will grow. If you take €100 million over a €2.3 billion, it is certainly not the biggest part of our revenues. And if I think about the Automotive business of a €9 billion to €10 billion business and something like €400 million growing to €500 million, we're talking about 5%. That doesn't really make a big difference in terms of the margin even if the margin would be zero, it can be clearly compensated by the other divisions. So once again, we have set 9.5% and 10.5% that's what we have committed and that's what we want – that we want and going to deliver.

Julian Radlinger, UBS
Okay. Thank you.

Klaus Rosenfeld
You're welcome.

Tim Rokossa, Deutsche Bank
Thank you very much to all of you. I would have three questions, please. The first one is on your restructuring charges, another €50 million this year now. Last year, it was I think €39 million, in 2016 it was €45 million for CORE, €13 million for streamlining the portfolio. Given that you are in this massive transformation process, is that just the usual €30 million to €50 million now that we should assume going forward? And I agree with you that you adjust for it, but I mean the money is gone. So it probably still doesn't make a difference to our EPS estimates, for example.
The second question is just on Industrial, very well done, obviously on the margin side. Is that mainly because of the strong organic growth that we see right now? I see the selling expenses improvement for example, and is the majority of CORE still to come or do we already see a material impact from CORE?

And as a final question just on the growth and margin outlook for the coming quarter, I appreciate that you don't want to guide on a quarterly basis and I would generally share your view of not being too short-term. But the problem is that your Automotive OEM guidance is very backend-loaded this year. You also talked a lot about ramp-ups and you don't really have the best track record in achieving your guidance in the last couple of years. So I think for investors, it would therefore be quite helpful to really understand if you are on track with your planning as early as possible rather than having to wait until the end of the year to see if that is the case. Would it therefore be possible for you to give us some sort of feeling what you should expect in terms of ramp-ups? [inaudible] already in line with the full-year guidance, slightly below that, something like this? Thank you.

**Klaus Rosenfeld**

Okay. Let's start with the restructuring costs, I mean restructuring costs, at this stage, when you initiate something like this are always an estimate and we have gone through two of these similar programs, slightly smaller in size. And don't forget, we have also, end of last year, initiated another one that has not really got any feedback from the market that's our shared services initiative. And Dietmar maybe you want to talk about this for a moment. So this is not just a figure that is calculated in my office for rule of thumb. There was an excellent consultant that helped us getting all of this together as a detailed backup for this. It's clearly a ballpark number, because we will now go through line-by-line and plant-by-plant and see what's happening and what is committed and what is not committed. But that's at the moment the number we are expecting. There is not only some HR related cost in there. I told you that we are going to split plants in certain locations and that requires some sort of work with respect to IT systems. So this is not only just taking the number dividing by 950 and saying this is your average rate for getting rid of people, it is a more complex calculation. And while parts of this is in the plants and plant people are typically less expensive than overhead people, it is a mix of all of this. I feel good about the number. We will validate the number as we speak.
Tim Rokossa, Deutsche Bank
Sorry. If I may just interfere that and I may have misphrased my question. I didn't question the €50 million for this year, my question was much more hinting to the fact that it is again €50 million this year, it was €39 million for shared services last year and it was I think €45 million for CORE and €30 million for streamlining the portfolio in 2015. So is €30 million to €50 million something that we should just assume as normal restructuring costs given you are in this transformation process going forward every year.

Klaus Rosenfeld
I can't say anything about what we're going to do next. Now the first thing I can say is we are continuously optimizing. I've said this, by the way, for those of you that followed us since 2015 that if you assume that there's a one-time restructuring and that's it, that's not the case, it will be a continuous exercise. We're just now delivering on what I'm saying. It could well be that in 2019 we see another exercise like this to become due and then it could be something else. I'm not excluding anything, but I can also not say anything about this for the time being because there is no comparable initiative in the making. It's now, as we did with CORE, it's now relevant that this is executed well. Okay, Tim?

Tim Rokossa, Deutsche Bank

Klaus Rosenfeld
But what you can assume that I'm very committed to deliver on my financial ambitions. I said 12% to 13% and we will do what is necessary to get there.

Tim Rokossa, Deutsche Bank
It looks like on Industrial, for example, you're making good progress with CORE anyway already, right, so...

Klaus Rosenfeld
Sure. And on CORE, again it was the first time ever that we closed a plant, it was the first time ever that we did 500 jobs. Well, it was a new experience for Schaeffler and we, I think, CORE I is delivered. CORE II is on a very good basis, the colleagues are handing this on a say month-by-month basis. So execution strength has also something to do with experience. And with that experience we're going into the next round. I don't have the final number here to say how much of CORE
II is delivered. But if that's an interesting figure for you, we're happy to show the slide.

Klaus Rosenfeld
Month-by-month we follow up as part of the Agenda 4 plus One, and that is tracked on a monthly basis. So I don't have the figure right next to me but the colleagues will be able to share that with you how much of the intended improvement of our results is already achieved.

Dietmar Heinrich
Tim, in that regard, I can support Klaus. From CORE I, I think of around €4 million for this year. So we see the full-year impact being realized this year, and in regard to CORE II, I think it's around €40 million that we're going to add as a positive impact this year, coming from the closing of the factory that actually was done at the end of last year. So that's then the second contributor actually to the contribution that we are getting in regard to the profitability of the Industrial division coming from the organic growth, so these two impacts basically.

Klaus Rosenfeld
Yeah, then in terms of the quality of the Industrial results, clearly this is a margin that is strong. It also has to do with the sectors, how the sectors are performing and I think Dietmar said it and you see it also on the page later on, you see that the Industrial Distribution sector was one of the fastest growing sectors and it's, as you know from the past, also a significant part of the business. If that's growing faster than other sectors that also drives profitability. So while we had, in previous years, a situation where wind was growing fast and wind is one of the lower margin sectors, the Industrial Distribution part clearly drove in the first quarter the good results.

In terms of backend loaded Automotive, yes, certainly you always want more information but here, I understand your concern. We are fully accepting the notion that we have to deliver it quarter-by-quarter, but let's wait for the second quarter. I think this first quarter is definitely in line with consensus, is definitely in line with what we said. Give us the time for the second quarter, it's due on the 7th of August. And you saw that we postponed the Capital Markets Day into September. So we are now in the middle of May. I think let the numbers do the talking and wait for the second quarter. That's I think the best communication strategy for the time being.
Tim Rokossa, Deutsche Bank
Thank you for the comprehensive answers. Thank you.

Klaus Rosenfeld
You're welcome.

Henning Cosman, HSBC
Hi, good morning. Thank you. Please, can I just clarify about the BCT resolution and the impact? I think I still haven't fully understood if that's more a defensive move? I mean, you talked about accountability and protecting the targets and being fully committed. So, I appreciate that, but is it more like a positive move, if you like? And if I model let's say 100 for my target number before, should I now have a higher number, because you have additional €60 million positive windfall profits there or would there be a shortfall, if you wouldn't have reacted? That's my first question.

Klaus Rosenfeld
Well, that's to some extent not the way how we look at this. I mean, we have our guidance for 2018. The first priority to make sure that we meet this guidance this year and again I can only say it again, we are fully committed to do that. The more long-term view is that we have clearly a goal to optimize our setup to make sure that this company is generating the right level of profitability. The current profitability is overlaid by Agenda 4 plus One. And this move with the relocation of the plant was not primarily driven by generating €60 million of cost improvement. It was primarily driven by making the structure more customer-focused, more efficient, and in terms of optimizing interfaces and being able to deliver our products in a better and more custom oriented way. That was the main driver.

It was not driven by we need urgently €60 million to please any results. That's not the way we look at this. This is part of a continuous cost and efficiency improvement exercise. We had to wait for the decisions that we go for three divisions, that's what happened. We now went fast into this. That's the right thing to do, because if you do something like this at the beginning of the year, then you have a much better execution probability doing the rest of the year than if you do it in September or October. And if the €60 million will certainly help us to achieve the financial ambition, the financial ambition is a range 12% to 13%, if you take the €60 million EBIT improvement potential across the whatever revenues we will have by then, it will clearly help to achieve these financial ambitions, but not
because we're desperate that we're not achieving them, it's simply something that you put in place as an entrepreneurial measure to make this company better.

**Henning Cosman, HSBC**
That's clear. Thank you. The second question is on the visibility in the Industrial business. You're not showing this chart where you have the three months rolling order book against the revenue growth this quarter, because obviously, you're not showing the order intake. But could you just clarify for me, because I think in the press release you're saying you were surprised, though it was a positive surprise, because the market grew stronger in Industrial. You were surprised about this, but clearly, if you look at the order – the three months rolling order book that you have shown with the last release, we would have expected some very strong growth. So could you just remind me how you look at this leading indicator there and how accurate that is? And if there's pent-up demand so how we're thinking about the next few quarters there?

**Klaus Rosenfeld**
Well, it's a very good question. I think it's basically the same question with respect to the Automotive order book and we said we're going to share that indicator with you on a half year basis and we'll do that on the 7th of August. But you're absolutely right. It came in quite nicely. We have never said that you can, out of this indicator, predict exactly what your revenue growth is, because this is driven by customer demand and by orders coming in, we always know that in a situation where there is significant growth potential, orders are inflated to some extent. So this indicator is not there, different maybe than in the order intake logic from Automotive to just calculate a figure and say it must be 11%, yeah. We were happy with that. Let's say – let's phrase it this way. It didn't came as a total surprise that growth is two-digit. Don't forget in the fourth quarter 2017, the growth, it was also 9%. So it's a continuous growth and that I think is important. And also the quality of the growth is there and that what makes us confident that we are right on track. We're catching up with our competitors. The margin is clearly above expectations. We now need to see how this is going to balance off. Don't forget we're not managing by quarter, we're managing the full-year and we need to see that this gives us a very good basis to achieve our targets in Industrial.

**Henning Cosman, HSBC**
Okay.
Klaus Rosenfeld
In terms of the market, one more sentence there. The market is still heated. There is a lot of demand coming in from people. We are happy that we have our logistics center now up and running, because the supply chain challenges that we still have also with respect to special freights are still there. We talked about capacity utilization. It's still high in certain areas, more than 18 shifts. So handling this is one of our key operational challenges.

Henning Cosman, HSBC
Thanks. And just finally if I may, and I'm going to try it in a different way, if you don't mind, on the Automotive growth. I was actually quite pleased with almost 4% outperformance in the first quarter, seeing that you've also in our speech at the AGM talked about these very strong accelerations in the course of the year. So of course your full-year guidance only implies about 4% outperformance for the year. And I'm just wondering how that compares with the acceleration? Now, wouldn't we expect a much stronger outcome then for the full-year?

Klaus Rosenfeld
For this year we have said – once again to be very clear, the outperformance 4% is not part of our guidance. It's an indication that we have given you in 2015 when we started and said this historically that has always been something that we can achieve. So it'll be a long-term indicator but it's not that in 2018 we want to achieve an outperformance of 4%. It is well possibly that we overachieve that, but don't forget it's also a function of what's happening in the market. The market will fluctuate. We said and when we gave you our guidance, it's somewhere between 1.5% and 2%. If you then compare that to our growth rate in terms of guidance, 6% to 7%, it already indicates if that comes in as the market sort of indicators tell us, we will be better than 4%. But let's use that as a – not use it as a guidance, it's for us an indicator. We want to see what the second quarter brings. As I said, let the numbers do the talking and make sure that we are delivering what we promised.

Henning Cosman, HSBC
Understood. Thank you.

Klaus Rosenfeld
You're welcome.
Edoardo Spina, Paribas
Thank you. Good morning. I'm going to try to ask three quick questions. First one, follow up on these restructuring charges, just to understand that if it's going to represent our free cash flow outflow this year? I appreciate you did not change your full-year guidance on that. So I wanted to understand that part. And another question on the below EBIT lines for financial results and for tax rate, if you give an indication whether they could be below last year both or maybe one of these items? And the very final one on the raw materials, some competitors of yours flagged that there is a lot of volatility in them and they feel some pressure. I was wondering your take on that, if you look at them with say as a risk or if you can update on the pass-through clauses et cetera from your side? Thank you.

Klaus Rosenfeld
Let me take the first one and then I hand over the second and third question to Dietmar. In terms of the restructuring provisions, the cash outflow, we are not final with our planning there. As I said, it's an indication at the moment. But I can say that we will be fast on certain decisions when it comes to organizational leadership structures. So there maybe some of the levels that we are flattening where people go, in particular the more expensive people. That could have an outflow impact, but it will not be a major part of the €50 million and it doesn't lead us to change anything in our free cash flow guidance. Dietmar, do you want to continue?

Dietmar Heinrich
Well, Edoardo in regards of the net income, the below EBIT line, if you could see in the explanation actually the deviation or the decline in EBIT is almost equal to the decline in the net income. So, yes, we have a slight impact on the tax side being compensated by the financial cost. At the very end basically the decline in the net income is caused by the decline in the EBIT.

Edoardo Spina, Paribas
Okay. Okay, thank you very much. On the raw materials, I don't know if you could comment at all on that front, but otherwise thanks.

Klaus Rosenfeld
The general situation of material prices is certainly a challenging environment with all the protectionism that is under debate in the world. In our first quarter, I can say we are absolutely in line with expectations and how the rest of the year unfolds we need to see. We are not so much dependent on aluminum. We are
not very much dependent on the oil price. We are very much dependent on steel and in steel we see that as we forecast that there is an increase, but that's part of the margin guidance. At the moment, I don't see any sort of big deviation from what we budgeted and what we forecasted so far, so we need to follow this, but there's no dramatic headwind at that level that we could not cope with.

Edoardo Spina, Paribas
Thank you very much.

Klaus Rosenfeld
You're welcome.

Kai Mueller, Bank of America
Hi. Thank you very much for your time. Most questions have been answered by now. But just to follow up on your restructuring, the way you realign the group, I understand basically the central plants are now being allocated to the subdivisions and I understood back in the days that the company was very much integrated having this internal supply business. Is that possibly a precursor on doing something more around the structure that you have two businesses the Industrial and the Automotive business that are much more independent than they used to be before? I understand obviously you've highlighted before that you're one company, you never think about separating into parts, but is that maybe something that would make such a step more easy?

Klaus Rosenfeld
Well, thank you very much for the question, because I forgot to mention this. So you see it's not at all on my agenda. The answer clearly is no. We're not divisionalizing this group further. We have internally clearly said that the technological, we call it, umbrella or you can call it [inaudible] is still something that we want to keep whether you allocate a plant to a division or to a central function, doesn't change this logic that our plants are very much linked to each other. It's one plant network, it will be further optimized by our new head of operations in a sort of holistic manner. So there's no intention at all to separate Industrial and Auto. This is something that I said on and on, and we want to stay as one group and not start to break up the group into two pieces. We would think that would be a materially wrong, it's definitely not part of our strategy. We think the group belongs together and there are synergies from running this under from one platform even if the plants are fully allocated to the divisions.
Kai Mueller, Bank of America
Very clear. Thank you very much.

Klaus Rosenfeld
You're welcome.

Operator
Thank you. There are no further questions. I hand back to the speakers.

Renata Casaro
Thank you very much, dear operator. Thank you very much, dear analysts and investors. As usual you will have the commented slides loaded up on the website in a couple of days, the transcript plus slides and then we will see some of you in the forthcoming road shows starting tomorrow. Thank you so much and goodbye.