Executing our strategy
Schaeffler AG
Kepler German Corporate Conference

January 22, 2019
Frankfurt
1. Schaeffler at a glance – 9M 2018 results and current market environment
2. Strategy “Mobility for tomorrow”
3. Excellence Program “Agenda 4 plus One”
4. Diversified business portfolio – Our three divisions
5. Long-term value creation
6. Summary and outlook
Schaeffler at a glance

- 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
- 1.1 m tons of processed steel p.a.
- Balanced revenue mix 14 bn Euro Global Sales 2017
- More than 90,000 employees worldwide
- 12-13% EBIT margin on average over the last 10 years
- Far more than 10,000 different products
1 Schaeffler at a glance
Schaeffler Group – Diversified business portfolio with three divisions

### Automotive OEM
- **Sales**: 8,991 mn
- **EBIT margin**\(^2\): 10.8%

### Automotive Aftermarket
- **Sales**: 1,880 mn
- **EBIT margin**\(^2\): 19.0%

### Industrial
- **Sales**: 3,150 mn
- **EBIT margin**\(^3\): 8.0%

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2) Based on EBIT Before special items FY 2017
3) in % of Group Sales 2017
1 Schaeffler at a glance

Macroeconomic environment – Increasingly challenging and complex

Growth
- Lower GDP-growth expected from 2019 onwards

Trade
- Trade war between USA and China a serious threat

China
- Slow down of economic growth in China

Macro-economic risks

External conditions became much more complex
- Temporary „dip“ or downturn?

Industry-specific developments

Automotive
- OEMs suffer from the new WLTP-cycle

Industrial
- Slow down of industrial production expected from 2019 onwards

Capital Markets
- Several guidance revisions in the automotive sector
### 1. Schaeffler at a glance

#### 9M 2018 figures – Mixed performance in Q3

<table>
<thead>
<tr>
<th></th>
<th>Q3 18</th>
<th>9M 18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales growth</strong></td>
<td>3,521</td>
<td>10,714</td>
</tr>
<tr>
<td>(in EUR mn and %)</td>
<td>+3.7%</td>
<td>+5.1%</td>
</tr>
<tr>
<td><strong>EBIT margin</strong></td>
<td>355</td>
<td>1,150</td>
</tr>
<tr>
<td>(in EUR mn and %)</td>
<td>10.1%</td>
<td>10.7%</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>201</td>
<td>127</td>
</tr>
<tr>
<td>(in EUR mn)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Capex-to-sales ratio

- 7.4%
- 8.0%

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#### Key aspects Q3 2018

- **Automotive OEM** with decreasing margin due to weakness in China and negative mix
- **Automotive Aftermarket** sales decline due to high comps and weaker than expected demand in Europe
- **Industrial** very strong quarter, both in terms of sales and EBIT margin
- Lower than expected FCF due to lower earnings quality and higher inventories

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1) FX adjusted
2) Before special items
3) Before cash in- and outflows for M&A activities
### Group Guidance

<table>
<thead>
<tr>
<th>Metric</th>
<th>Group</th>
<th>Automotive OEM</th>
<th>Automotive AM</th>
<th>Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth(^1)</td>
<td>+4-5%</td>
<td>+3.5-4.5%</td>
<td>+1.5-2.5%</td>
<td>+8-9%</td>
</tr>
<tr>
<td>EBIT margin(^2)</td>
<td>9.5-10.5%</td>
<td>8-8.5%</td>
<td>17-17.5%</td>
<td>10.5-11.0%</td>
</tr>
<tr>
<td>Free Cash Flow(^3)</td>
<td>EUR ~300 mn</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Divisional Guidance

<table>
<thead>
<tr>
<th>Metric</th>
<th>Automotive OEM</th>
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<th>Industrial</th>
</tr>
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<td>17-17.5%</td>
<td>10.5-11.0%</td>
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<tr>
<td>Free Cash Flow(^3)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Market assumptions\(^4\)

- 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.

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1) FX adjusted  
2) Before special items  
3) Before cash in- and outflows for M&A activities  
4) As of October 30, 2018
2 Strategy “Mobility for tomorrow”

Schaeffler Roadmap 2016-2020 – Transformation gaining momentum

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

Sustainable profitable growth

1) Bearing & Components Technologies
2 Strategy “Mobility for tomorrow”

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
**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**
E-Mobility, Industry 4.0 and Digitalization – Focused on future opportunities

Business logic

Key aspects

- E-Mobility, Industry 4.0 and Digitalization as key growth opportunities for the long-term future
- E-Mobility, Industry 4.0 and Digitalization are three key initiatives of our Agenda 4 plus One
- Digitalization relevant for external “Go to market”, but in particular for optimizing our internal efficiency
Key aspects

- Comprehensive program with 20 initiatives started in Q2 2016
- All initiatives in implementation, overall Completion ratio of 50% as of September 2018
- EUR 300 mn profitability improvement target until 2022 (improvement compared to FY 2017)

### EBIT impact

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Special items</td>
<td>-32</td>
<td>-159</td>
<td>-45²</td>
<td>-39²</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) Before special items
2) Provision for CORE II of EUR 45m in 2016, provision for Shared Services provision of EUR 39m in 2017
### Overview as discussed at September 2018 CMD

<table>
<thead>
<tr>
<th></th>
<th>Start Date</th>
<th>Cost Efficiency Target</th>
<th>HCO(^1) 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</td>
<td>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>
</tr>
<tr>
<td>2</td>
<td>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>
</tr>
<tr>
<td>3</td>
<td>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>
</tr>
<tr>
<td>4</td>
<td>BCT(^2)</td>
<td>5/2018</td>
<td>~ EUR 60 mn</td>
<td>-1,000</td>
<td>EUR [50] mn(^3)</td>
<td>12/2021</td>
<td>Auto OEM/Industrial</td>
</tr>
</tbody>
</table>

**FCF Improvement Target**

<table>
<thead>
<tr>
<th></th>
<th>Working Capital(^4)</th>
<th>4/2016</th>
<th>~ EUR 350 mn</th>
<th>-</th>
<th>-</th>
<th>12/2020</th>
<th>Group</th>
<th>75%</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Supply Chain(^5)</td>
<td>8/2018</td>
<td>to come</td>
<td>-</td>
<td>-</td>
<td>12/2021</td>
<td>Group</td>
<td>0%</td>
</tr>
</tbody>
</table>

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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
4 Diversified business portfolio – Our three divisions

Automotive OEM – At a glance

Sales and EBIT margin

in EUR mn

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>EBIT Margin</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>8,525</td>
<td>12.8%</td>
<td>+4.8%</td>
</tr>
<tr>
<td>2017</td>
<td>8,991</td>
<td>10.8%</td>
<td>+6.5%</td>
</tr>
<tr>
<td>2018e</td>
<td></td>
<td>8.8-8.5%</td>
<td>+3.5-4.5%</td>
</tr>
</tbody>
</table>

Sales by business division

FY 2017: EUR 8,991 mn

Sales split by customer mix

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

EBIT margin²)

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

Growth rate²)

+4.8% +6.5% +3.5-4.5%

EBIT margin²)

35% 12.8% 10.8% 8-8.5%

14 January 22, 2019 Schaeffler AG - Kepler German Corporate Conference
4 Diversified business portfolio – Our three divisions

Automotive OEM product portfolio – Broad drivetrain know-how

- Engine systems: 31% of Automotive OEM sales in 2017
- Transmission systems: 47% of Automotive OEM sales in 2017
- Chassis systems: 18% of Automotive OEM sales in 2017
- E-Mobility: 5% of Automotive OEM sales in 2017
Mobility for Tomorrow – 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>EV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>90</td>
<td>95%</td>
<td>4%</td>
</tr>
<tr>
<td>2020 e</td>
<td>102</td>
<td>86%</td>
<td>11%</td>
</tr>
<tr>
<td>2025 e</td>
<td>110</td>
<td>55%</td>
<td>33%</td>
</tr>
<tr>
<td>2030 e</td>
<td>117</td>
<td>30%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Electrified Drivetrain Portfolio

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)
4 Diversified business portfolio – Our three divisions

**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%

**Content per Vehicle 1)**

<table>
<thead>
<tr>
<th></th>
<th>ICE</th>
<th>HEV</th>
<th>BEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>~90</td>
<td>~60</td>
<td>~25</td>
</tr>
<tr>
<td>2025</td>
<td>~125</td>
<td>~150</td>
<td>~100</td>
</tr>
</tbody>
</table>

*Excl. Aftermarket, Heavy Duty & Motorcycles*

Average Content per Vehicle 2025

~EUR 130 2)

~6% CAGR 3)
Automotive OEM – Schaeffler e-Axle transmission is driving the brand new Audi eTron Quattro

Weight related torque density of electric car transmissions

Front Axle Transmission with integrated Parking Lock Actuator

Rear Axle Transmission

Sources:
- Tesla S85 [https://www.teslarati.com/tesla-model-s-weight/]
- VW e-Up! SSP00052700-Nr__527__Der_e-up!
- BMW i3 – Benchmark Fra Aachen
- Tesla S90D Gewichtsbereich geschätzt 20 kg ... 30 kg
P2 Hybrid Modules: Variants & Portfolio Roadmap

**Generation 2**
- Highly integrated Hybrid Modules for Mild-, Full- and Plugin Hybrid applications
- Integrated dry K0 clutch
- Integrated wet K0 clutch

**Generation 3**
- Integration of Start-up element to further reduce required design space and system costs
- Integrated Torque Converter
- Integrated Triple Clutch (3K)

**Generation 4**
- Integration of power electronics to further reduce packaging requirements and costs
- Integration of Power Electronics HV or 48 V

**In series production**

<table>
<thead>
<tr>
<th>Generation 2</th>
<th>Generation 3</th>
<th>Generation 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schaeffler AG - Kepler German Corporate Conference</td>
<td>SOP Q4/2018</td>
<td>Target SOP 2020/21</td>
</tr>
</tbody>
</table>

Highly integrated Hybrid Modules for Mild-, Full- and Plugin Hybrid applications.

Integration of Start-up element to further reduce required design space and system costs.

Integration of power electronics to further reduce packaging requirements and costs.
Top facts of P2 HV Hybrid Module with integrated torque converter:

- High E-motor constant power up to 70 kW with active oil cooling at rotor and stator
- ICE torque up to 600 Nm; TC input to 700 Nm
- Compact design requires significantly less space than conventional P2 architecture
- Combined optimization of the damping system
- Available for the first time in 2020 in North America

Market specific solutions based on Schaeffler core Know-How in Transmission Systems
# Automotive Aftermarket – At a glance

## Sales and EBIT margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (in EUR mn)</th>
<th>EBIT Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,813</td>
<td>21.3%</td>
</tr>
<tr>
<td>2017</td>
<td>1,880</td>
<td>19.0%</td>
</tr>
<tr>
<td>2018e</td>
<td></td>
<td>17-17.5%</td>
</tr>
</tbody>
</table>

**Growth rate**
- 1) FX-adjusted

**EBIT margin**
- 2) Before special items

**Guidance**
- 3) FY 2017
- 4) In % of Group Sales 2017

## Sales by region

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

Sales FY2017: EUR 1,880 mn

## Sales split by channel

- Components business: 82%
- Solutions business: 18%
- OES business: 13%
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-axles and hybrid modules
Our markets continue to grow – China offering great long-term potential

Key growth drivers

- Global vehicle fleet will grow at 3.4% CAGR 2016-2020
- Vehicle age will continue to grow, especially in China & South America
- Total aftermarket revenues globally will grow from USD 759 bn to USD 1,196 bn (+3.1% CAGR 2015/2030)

Vehicle population

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>390</td>
<td>381</td>
</tr>
<tr>
<td>NA</td>
<td>425</td>
<td>335</td>
</tr>
<tr>
<td>China</td>
<td>176</td>
<td>95</td>
</tr>
<tr>
<td>SEA</td>
<td>76</td>
<td>310</td>
</tr>
<tr>
<td>Japan</td>
<td>95</td>
<td>74</td>
</tr>
<tr>
<td>SA</td>
<td>74</td>
<td>74</td>
</tr>
<tr>
<td>India</td>
<td>63</td>
<td>38</td>
</tr>
<tr>
<td>Korea</td>
<td>70</td>
<td>61</td>
</tr>
</tbody>
</table>

Vehicle age

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>11.6</td>
<td>12.3</td>
</tr>
<tr>
<td>NA</td>
<td>10.2</td>
<td>10.3</td>
</tr>
<tr>
<td>China</td>
<td>5.0</td>
<td>6.5</td>
</tr>
<tr>
<td>SEA</td>
<td>9.1</td>
<td>9.4</td>
</tr>
<tr>
<td>Japan</td>
<td>9.4</td>
<td>8.2</td>
</tr>
<tr>
<td>SA</td>
<td>8.2</td>
<td>8.4</td>
</tr>
<tr>
<td>India</td>
<td>9.7</td>
<td>7.4</td>
</tr>
<tr>
<td>Korea</td>
<td>11.4</td>
<td>7.5</td>
</tr>
</tbody>
</table>

Total aftermarket revenues

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>759</td>
<td>1,196</td>
</tr>
<tr>
<td>China</td>
<td>72</td>
<td>233</td>
</tr>
</tbody>
</table>

Source: IHS

Source: McKinsey
Diversified business portfolio – Our three divisions

Industrial – At a glance

Sales and EBIT margin
in EUR mn

<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>2016</td>
<td>3,000</td>
<td>7.3%</td>
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<td>8.0%</td>
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<td>2018e</td>
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</tr>
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Growth rate1) 2016: -4.8% 2017: +5.7% 2018e: +8-9%

EBIT margin2) 2016: 7.3% 2017: 8.0% 2018e: 10.5-11%

Sales by region3)

<table>
<thead>
<tr>
<th>Region</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater China</td>
<td>15%</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>9%</td>
</tr>
<tr>
<td>Europe</td>
<td>57%</td>
</tr>
<tr>
<td>Americas</td>
<td>18%</td>
</tr>
</tbody>
</table>

Sales FY2017: EUR 3,150 mn

Industrial sales by sector cluster

1) FX-adjusted
2) Before special items
3) FY 2017
4) In % of Group Sales 2017
4 Diversified business portfolio – Our three divisions

**3 Broad range of standard and customized products**

<table>
<thead>
<tr>
<th>Ball Bearings</th>
<th>Cylindrical Roller Bearings</th>
<th>Spherical Roller Bearings</th>
<th>Tapered Roller Bearings</th>
<th>Needle Roller Bearings</th>
<th>Linear Technology</th>
<th>Plain bearings</th>
<th>Mechatronics</th>
<th>Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ball bearing (DGBB)</td>
<td>Cylindrical roller bearing (CRB)</td>
<td>Spherical roller bearing (SRB)</td>
<td>Tapered roller bearing (TRB)</td>
<td>Needle roller bearing (NRB)</td>
<td>Linear guides</td>
<td>Plain bearing</td>
<td>VarioSense and SmartCheck</td>
<td>Housing</td>
</tr>
</tbody>
</table>

**SCHAEFFLER INDUSTRIAL**

**Customized product business**

- Cronitect-hybrid bearing – Bicycle
- Heavy duty CRB – Construction Machin.
- Coated SRB – Windpower rotor bearing
- Wheelset bearing – Highspeed trains
- "Slimline" drawn cup NRB – Gearbox
- Six-row linear recirculating ball bearing – Machine Tool
- Spherical plain bearing with special coating - Marine
- Sensorized rotary table bearing & sensorized linear guide RUE 4.0 – Machine Tool
- Linear System – Industrial Automation
4 Diversified business portfolio – Our three divisions

Business portfolio – From components to Industry 4.0

Portfolio

Industry 4.0 services

Mechatronics

Mechanical Systems

Components

Rotative Technology

Services

Linear Technology

Region

Europe

Americas

Greater China

Asia Pacific

Sector split

Wind

Raw Materials

Aerospace

Railway

Offroad

Two Wheelers

Power Transmission

Industrial Automation

Channel

OEM & MRO

Distribution
5 Long-term value creation

Use of cash – Focus on future growth and attractive dividend

Our Cash Flow formula

\[
\Delta \text{Cash} = \text{Operating Cash Flow}^{1)} + \Delta \text{Working Capital} - \text{Capex (Internal Growth)} - \text{Regular Dividend} - \text{M&A}^{2)} (\text{External Growth}) + \text{Financing Proceeds} - \text{Deleveraging}
\]

Key aspects

- Strong cash flow generation from operating business and 3 main uses of cash:
  1. Dividend
  2. External Growth
  3. Deleveraging

- Above average annual dividend pay-out (30-40% of net income\(^{3)}\))
- Internal growth financed from operating cash-flow, external growth primarily by debt
- Sound balance sheet, sufficient financing headroom to target external growth

---

1) Before \(\Delta \text{Working Capital}\)
2) Including one-off long-term investment projects (i.e. Real estate)
3) Adjusted for one-offs
M&A strategy – Focus on technology and execution

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.

7 Search fields

- E-Motor Manufacturing Competence
- (Power) Electronics
- Industry 4.0 / Mechatronics
- Systems Expertise on Sector Levels
- Chassis
- Automotive Aftermarket
- Industrial Automation

M&A transactions announced until November 30:

1. Compact Dynamics (12/2016)
2. autinity systems (10/2017)
3. PARAVAN (8/2018)
4. ELECTRON STATQON (11/2018)

Focus on technology and execution
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

SpaceDrive enables save autonomous driving via its redundant structure

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
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 headquarters 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

Expertise in winding-technology for E-Mobility

- Round wire winding
- Flat wire wave-winding
- Continuous Hairpin winding

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.
5 Long-term value creation
Elmotec Statomat acquisition – Closing the technology gap for mass production

Schaeffler already covered the majority of the E-Motor production processes. With this acquisition we are closing now the last remaining production technology gap.
Key messages

1. FY 2018 guidance confirmed despite increasingly challenging and complex environment

2. We are executing on our strategy – “Agenda 4 plus One” excellence program drives our transformation, well on track

3. Diversified business portfolio with focus on future drivers – E-mobility, Industry 4.0 and regional expansion in Automotive Aftermarket

4. Value creation – 30-40% dividend payout policy unchanged, more selective CapEx allocation, diligent execution of compelling M&A strategy

5. Currently working on a comprehensive plan to enhance our long-term competitiveness in Automotive OEM, while preserving our flexibility

6. FY 2019 guidance and revised 2020 Financial Targets will be communicated on March 6th
SCHAEFFLER
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>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>FCF before M&amp;A</td>
<td>-111</td>
<td>25</td>
<td>333</td>
<td>268</td>
<td>-69</td>
<td>-5</td>
<td>201</td>
</tr>
<tr>
<td>FCF conversion ratio</td>
<td>30%</td>
<td>18%</td>
<td>21%</td>
<td>22%</td>
<td>24%</td>
<td>22%</td>
<td>17%</td>
</tr>
<tr>
<td>Capex ratio</td>
<td>8.4%</td>
<td>8.5%</td>
<td>8.1%</td>
<td>11.3%</td>
<td>8.6%</td>
<td>7.9%</td>
<td>7.4%</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

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</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>(131)</td>
<td>244</td>
<td>126</td>
<td>(118)</td>
<td></td>
</tr>
<tr>
<td>Non recurring items</td>
<td>10</td>
<td>9</td>
<td>(1)</td>
<td>103</td>
<td>85</td>
<td>(18)</td>
<td></td>
</tr>
<tr>
<td>AKO / EDC / Focus</td>
<td>26</td>
<td>7</td>
<td>(19)</td>
<td>66</td>
<td>33</td>
<td>(33)</td>
<td></td>
</tr>
<tr>
<td>M&amp;A</td>
<td>0</td>
<td>(1)</td>
<td>(1)</td>
<td>3</td>
<td>1</td>
<td>(2)</td>
<td></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>
<td></td>
</tr>
<tr>
<td></td>
<td>315</td>
<td>170</td>
<td>(145)</td>
<td>362</td>
<td>198</td>
<td>(164)</td>
<td></td>
</tr>
</tbody>
</table>
Working Capital ratio 18.7% of sales – Capex ratio 7.4% of sales in Q3

**Working capital**

in EUR mn

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2,820</td>
<td>2,756</td>
<td>2,733</td>
<td>2,342</td>
</tr>
<tr>
<td>2018</td>
<td>2,575</td>
<td>2,737</td>
<td>2,672</td>
<td></td>
</tr>
</tbody>
</table>

In % of sales (LTM)

- 2017: 20.8%, 20.2%, 19.7%, 16.7%
- 2018: 18.4%, 19.3%, 18.7%

1) According to balance sheet; figures as per the end of period

2) At September 30, 2018, trade receivables with a carrying amount of EUR 168 mn (December 31, 2017: EUR 123 mn) net of retained default risks had been sold under the ABCP program

**Capex**

in EUR mn

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>299</td>
<td>295</td>
<td>279</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In % of sales

- 2017: 8.4%, 8.5%, 8.1%, 11.3%
- 2018: 8.6%, 7.9%, 7.4%

2) Cash view
### Key figures

**by Group and division – new structure**

#### Group in EUR mn

<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>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&lt;sup&gt;2)&lt;/sup&gt;</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&lt;sup&gt;3)&lt;/sup&gt;</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&lt;sup&gt;3)&lt;/sup&gt;</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 in EUR mn

<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>Sales</td>
<td>484</td>
<td>444</td>
<td>506</td>
<td>446</td>
<td>446</td>
<td>479</td>
<td>476</td>
</tr>
<tr>
<td>Sales Growth&lt;sup&gt;2)&lt;/sup&gt;</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>
<td>-3.0%</td>
</tr>
<tr>
<td>EBIT</td>
<td>93</td>
<td>68</td>
<td>117</td>
<td>55</td>
<td>80</td>
<td>96</td>
<td>83</td>
</tr>
<tr>
<td>EBIT Adjusted&lt;sup&gt;3)&lt;/sup&gt;</td>
<td>93</td>
<td>68</td>
<td>117</td>
<td>80</td>
<td>80</td>
<td>96</td>
<td>80</td>
</tr>
<tr>
<td>EBIT Margin&lt;sup&gt;3)&lt;/sup&gt;</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><strong>16.8%</strong></td>
</tr>
</tbody>
</table>

#### Automotive OEM in EUR mn

<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>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>
<td>2,191</td>
</tr>
<tr>
<td>Sales Growth&lt;sup&gt;2)&lt;/sup&gt;</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>
<td>+3.2%</td>
</tr>
<tr>
<td>EBIT</td>
<td>275</td>
<td>221</td>
<td>229</td>
<td>226</td>
<td>217</td>
<td>197</td>
<td>185</td>
</tr>
<tr>
<td>EBIT Adjusted&lt;sup&gt;3)&lt;/sup&gt;</td>
<td>275</td>
<td>208</td>
<td>229</td>
<td>261</td>
<td>217</td>
<td>207</td>
<td><strong>172</strong></td>
</tr>
<tr>
<td>EBIT Margin&lt;sup&gt;3)&lt;/sup&gt;</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><strong>7.9%</strong></td>
</tr>
</tbody>
</table>

#### Industrial in EUR mn

<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>Sales</td>
<td>782</td>
<td>808</td>
<td>790</td>
<td>770</td>
<td>826</td>
<td>855</td>
<td>854</td>
</tr>
<tr>
<td>Sales Growth&lt;sup&gt;2)&lt;/sup&gt;</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>
<td><strong>+9.4%</strong></td>
</tr>
<tr>
<td>EBIT</td>
<td>67</td>
<td>69</td>
<td>70</td>
<td>38</td>
<td>94</td>
<td>89</td>
<td>108</td>
</tr>
<tr>
<td>EBIT Adjusted&lt;sup&gt;3)&lt;/sup&gt;</td>
<td>67</td>
<td>69</td>
<td>70</td>
<td>47</td>
<td>94</td>
<td>101</td>
<td><strong>103</strong></td>
</tr>
<tr>
<td>EBIT Margin&lt;sup&gt;3)&lt;/sup&gt;</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><strong>12.1%</strong></td>
</tr>
</tbody>
</table>

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1) Proforma figures FY 2017
2) FX-adjusted
3) EBIT before special items