

Results Q1 2019 Schaeffler AG

dbAccess Berlin Conference 2019

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Agenda

- 1 Overview
- 2 Business Highlights Q1 2019
- 3 Financial Results Q1 2019
- 4 Outlook

Q1 2019 with mixed results – Market environment still subdued

Key messages

- 1 Group sales growth¹ of +0.4% with an expected slow start into the year, Auto OEM Outperformance of 500 bps
- 2 Gross margin 25.2% (Q1'18: 27.0%), down y-o-y in Automotive divisions, up in Industrial
- 3 EBIT margin² 7.5% (Q1'18: 11.0%), sequentially stabilized vs. Q4'18 (6.5%)
- 4 Free Cash Flow³ of EUR -235 mn due to lower profitability and higher Capex
- 5 Transformation continues – Acquisition of XTRONIC, consolidation of European plant footprint
- 6 Guidance 2019 confirmed on Group and divisional level

¹ FX-adjusted | ² Before special items | ³ Before cash in- and outflows for M&A activities

Sales growth¹

+0.4%

EUR 3,622 mn

Gross margin

25.2%

EUR 913 mn

EBIT margin²

7.5%

EUR 272 mn

Free Cash Flow³

EUR -235 mn

Schaeffler Group Q1 2019 – Highlights and lowlights



Automotive OEM: LVP¹ outperformance of 500 bps driven by strong growth in Americas (+12.4%²)



Strong growth in Industrial division (+6.9%²) with all regions contributing, especially Greater China (+14.1%²)



EBIT margin³ sequentially improved by 100 bps mainly driven by Automotive OEM



Refinancing: Successful placement of EUR 2.2bn Investment Grade bonds



Weak Automotive OEM business in Greater China (-14.5%²) and Europe (-3.3%²)



Automotive Aftermarket sales impacted by weak OES business and pricing pressure from customer consolidation in Europe



Gross margin still negatively impacted by higher production costs, overhead costs continued to grow faster than sales

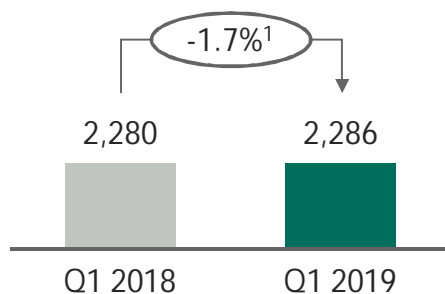


Capex to Sales ratio temporary over 10% driven by payouts of investments decided in H2 2018

¹ Light Vehicle Production | ² FX-adjusted | ³ Before special items

Automotive OEM – Strong Outperformance, earnings quality still unsatisfactory, albeit stabilized

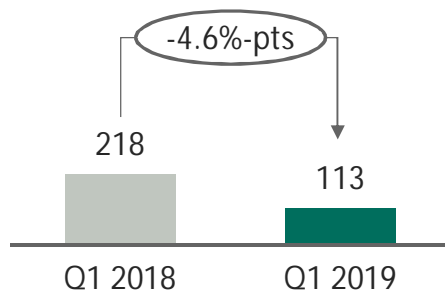
Sales
in EUR mn



Gross profit
margin

24.2% 21.1%

EBIT²
in EUR mn



EBIT margin²

9.6% 5.0%



Strong Outperformance of LVP³ by 500 bps, driven by strong growth in Region Americas with 12.4%¹



Business division E-Mobility growing by 33.9%¹ driven by ramp ups for hybrid modules, CVT transmissions and clutch actuators



R&D ratio flat y-o-y at 8%, especially focusing on E-Mobility & mechatronic systems



Weakness in Automotive OEM business in China (-14.5%¹) and Europe (-3.3%¹) continued in Q1 2019



Negative fixed cost effects caused by lower volumes despite flexing costs in China



Overhead costs increased, in particular personnel costs, but headcount decreased in Q1 2019

¹ FX-adjusted | ² Before special items | ³ Light Vehicle Production

Automotive OEM – Successful Auto Show Shanghai and projects pipeline building up

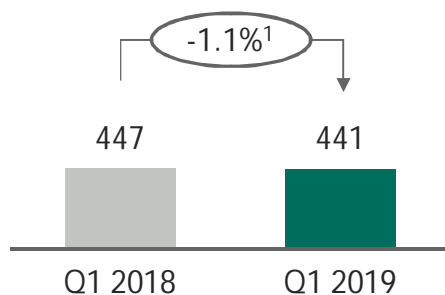


Business highlights

- ▶ Successful Auto fair in Shanghai (16 - 25 April, 2019)
 - Showcasing Schaeffler's Powertrain Matrix and SpaceDrive Technology
 - E-Axle Production Launch Ceremony parallel to Auto Shanghai
- ▶ Positive Business Development in Q1 2019
 - Classic Engine and Transmission business divisions with growing share of system solutions vs. components in the order intake
 - Pipeline of new projects in E-Mobility building up

Automotive Aftermarket – Slow start with mixed sales and lower EBIT margin

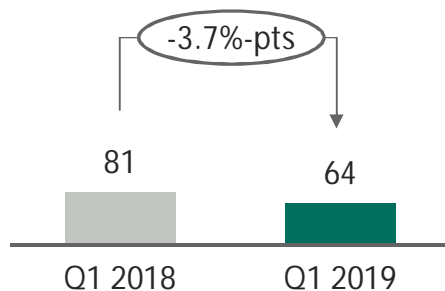
Sales
in EUR mn



Gross profit
margin

35.6% 33.7%

EBIT²
in EUR mn



EBIT margin²

18.1% 14.4%



Good growth in Independent Aftermarket with +3.0%¹, driven by strong performance in Region Americas (in particular South America)



Price increases for selected parts of the product portfolio implemented



Demand in OES business in Region Europe showing temporary decline



Price pressure due to customer consolidation in European markets



Lower gross margin due to higher product costs and negative price impact, efficiency measures (in particular on SG&A) initiated to compensate headwinds

¹ FX-adjusted | ² Before special items

Automotive Aftermarket – Chassis Specialist and additional NAPA business

Portfolio re-positioning: FAG brand, the chassis specialist

- ▶ Re-positioning of RUVILLE steering portfolio under FAG brand
- ▶ Upgrade of product quality and positioning as premium brand
- ▶ Market launch in Europe on June 1, 2019 and global roll-out until 2021



Steering & suspension



Strut mountings



Drive shaft assemblies



Wheel bearings & modules



Portfolio expansion: Entering the North American bearings & seals business

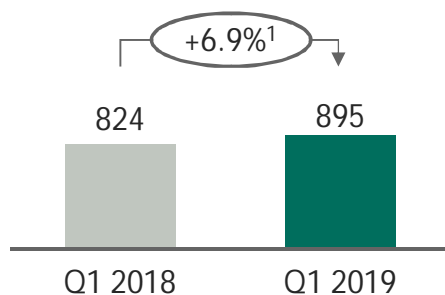
- ▶ Bearings & seals program started in North America in Q2/18
- ▶ Product catalogue is expanding - currently covering more than 9,000 parts and 1.1 million referenced applications
- ▶ Continued ramp-up of sales volume results in up to 7 EUR mn of incremental sales in Q1/19
- ▶ Steady improvements in profitability as a result of additional fixed cost coverage, as well as purchasing productivity



NAPA

Industrial – Strong growth and slightly lower earnings quality

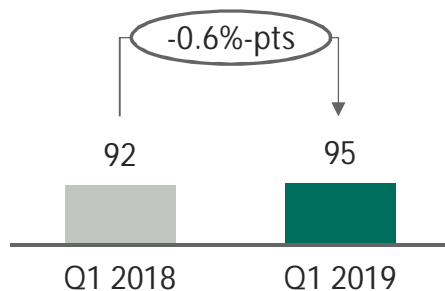
Sales
in EUR mn



Gross profit
margin



EBIT²
in EUR mn



EBIT margin²



Above average sales growth with positive contribution from all regions (China +14.1%¹)



Continued double digit growth in Wind, Raw Materials and Railway sector clusters



Gross margin increased due to positive volume development and favorable pricing more than offsetting an increase in production costs



Growth momentum declining, industrial production forecast lowered to 2% (Prior: 2.6%)



Higher logistic costs driven by increase of special freights, full ramp up of our European distribution center and remaining costs in replenishment centers



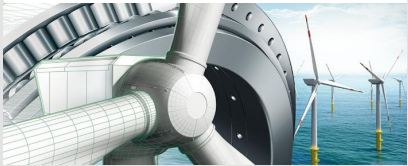
Higher overhead costs in all functional areas overcompensated positive price and margin evolution, program FIT to support earnings quality going forward

¹ FX-adjusted | ² Before special items

Industrial – Continued growth in key sectors

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Sector Wind



Further localization & growth in China

- ▶ Significant sales growth with key customer for multi-megawatt turbines in China
- ▶ Local production ramp-up of large size bearings in Nanjing, China

Sector Rail



Rail growth in Eastern Europe

- ▶ New orders with large railway OEM in Eastern Europe
- ▶ Supply of broad product range including spherical, ball and axle box bearings

Sector Raw Materials



Raw Materials growth in Asia-Pacific and China

- ▶ Orders secured with key customers in Asia-Pacific and China
- ▶ New large size bearing contract for cement industry, renewed contract with partners in the pulp and paper industry and new major order for continuous caster bearings in China

Sector Ind. Automation



Industry 4.0 partnership

- ▶ Mitsubishi Electric Corporation and Schaeffler entered into a global strategic partnership
- ▶ Target is to boost connectivity and to create Industry 4.0 solutions that reduce machine downtime and maximize productivity for the customer

Capital allocation – Focus increased and discipline strengthened

Investment¹⁾ allocation | in EUR mnMid-term target:
Capex ratio: 6-8%²⁾

	FY 2017	FY 2018	Q1 2018	Q1 2019
Automotive OEM	1,006	970	181	225
Automotive Aftermarket	33	64	18	40
Industrial	248	241	35	30
Schaeffler Group	1,287	1,275	234	296
Capex ratio ²⁾	9.1%	8.7%	8.6%	10.3%

¹⁾ Additions to intangible assets and property, plant and equipment | ²⁾ Capex in % of sales

Investment prioritization going forward

- ▶ Automotive OEM: Strategic growth fields E-Mobility and Chassis Mechatronics – clearly linked to our EUR 1.5-2.0 bn p.a. order intake target of program RACE
- ▶ Automotive Aftermarket: Expansion of our logistics network in all regions to increase speed and reliability of our delivery process
- ▶ Industrial: Improve our technological expertise in future growth fields Industry 4.0 and Mechatronics

Strengthened Capex discipline – Actions taken in Q1

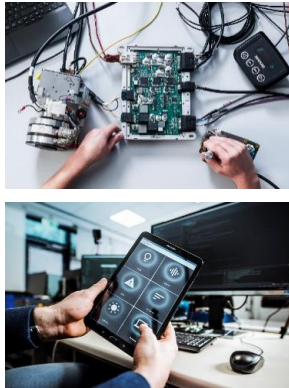
- ▶ Capex ratio²⁾ Q1 temporarily increased due to Q4 investment payouts and higher spending for AKO Europe
- ▶ Capex Committee started in Q1 with tightened hurdle rates and stricter approval levels
- ▶ Capex budgets further reduced in non-strategic areas

Transformation continues – XTRONIC and European footprint

Acquisition of XTRONIC

Automotive
OEM

- ▶ Backward integration for recently acquired Paravan technology for autonomous driving
- ▶ Strengthen software competence for existing mechatronic projects and enable more advanced solutions going forward
- ▶ Key leadership personnel committed to continue to work for the company
- ▶ Fully consistent with our M&A radar priorities




- ▶ Integration of XTRONIC will further support position of Schaeffler as partner for mechatronics and future mobility solutions

XTRONIC

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PARAVAN

Divestment of Barden plant, UK

Industrial

- ▶ Signing of agreement to sell The Barden Corporation (UK), Plymouth to HQW Holding, a UK affiliate of HQW Precision GmbH
 - ▶ Divestment is part of Schaeffler's UK realignment activities announced last November and the company's „Global Footprint“ initiative
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- ▶ Divestment of Barden plant is another step to make Schaeffler's footprint in Europe more efficient

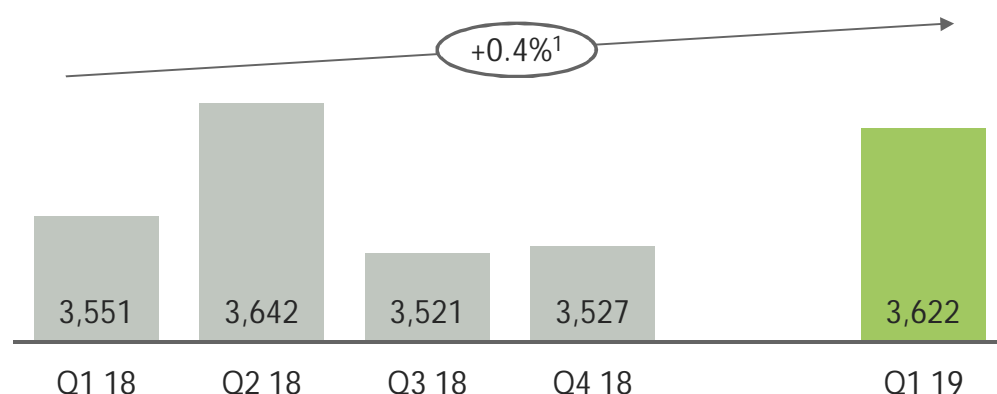
Key figures Q1 2019

in EUR mn		Q1 2018	Q1 2019	Q1 2019 vs. Q1 2018
Sales	1	3,551	3,622	+2.0% +0.4% ¹
Gross Profit	2	960	913	-47 mn
Gross Margin		27.0%	25.2%	-1.8%-pts.
EBIT ²	3	391	272	-119 mn
EBIT Margin ²		11.0%	7.5%	-3.5%-pts.
Net income ³	4	238	137	-101 mn
EPS ⁴ (in EUR)		0.36	0.21	-0.15
Schaeffler Value Added ⁵	4	743	421	-322 mn
ROCE ⁶		19.3%	15.0%	-4.3%-pts.
Free Cash Flow ⁷	5	-69	-235	-166 mn
Capex	6	306	373	+67 mn
Net financial debt	7	2,439	2,805	+366 mn
Gearing ratio ⁸		87.8%	88.5%	+0.7%-pts.

¹ FX-adjusted | ² Before special items | ³ Attributable to shareholders of the parent company | ⁴ Earnings per common non-voting share | ⁵ Defined as EBIT before special items minus Cost of Capital (10% × Ø Capital Employed) | ⁶ Before special items and based on LTM | ⁷ Before cash in-and outflows for M&A activities | ⁸ Ratio of net financial debt to equity incl. non-controlling interests

1 Sales growth – Region Americas with double-digit growth rates

Sales | in EUR mn



14,241

Sales growth

Reported

-0.6%	+4.9%	+2.5%	-0.4%	+2.0%
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FX-adjusted

+3.9%	+7.9%	+3.7%	+0.3%	+0.4%
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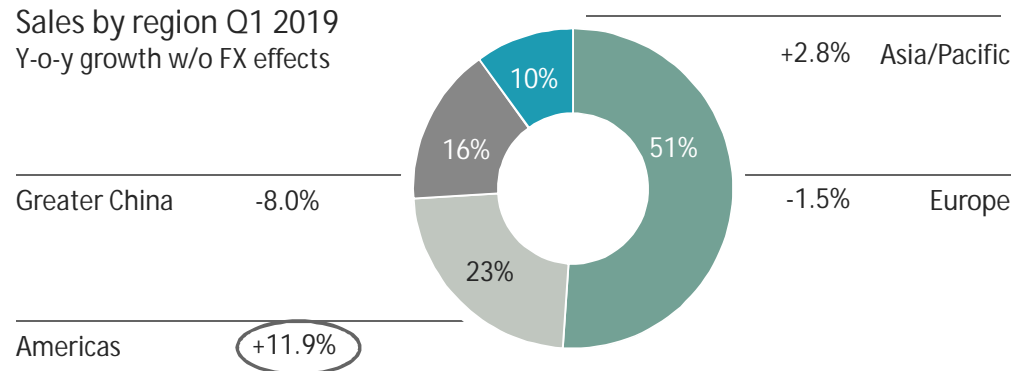
¹ FX-adjusted

Key aspects

- ▶ Group sales up by +0.4%¹ (Q1'18: +3.9%¹)
- ▶ Sales growth¹ mainly driven by Americas (+11.9%), offsetting negative growth in Greater China (-8.0%) and Europe (-1.5%)
- ▶ Strong growth¹ in Americas driven by all divisions (Auto OEM: +12.4%, Auto AM: +14.1%, Industrial: +9.1%)

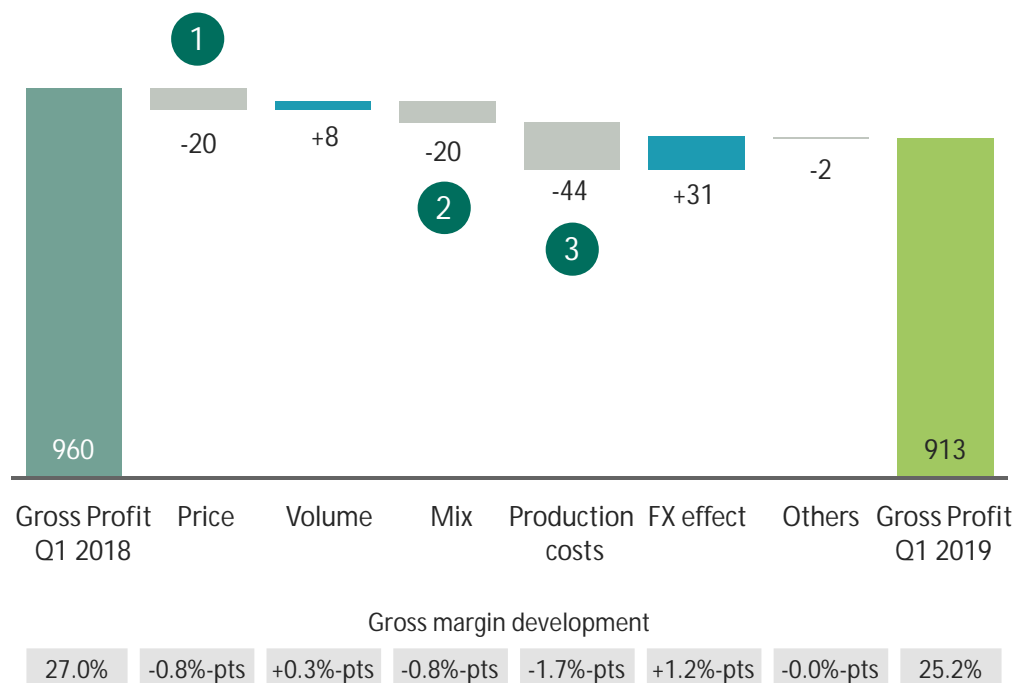
Sales by region Q1 2019

Y-o-y growth w/o FX effects



2 Gross Profit – Gross margin lower on negative price, mix and higher production costs

Gross Profit Q1 2018 vs. Q1 2019 | in EUR mn



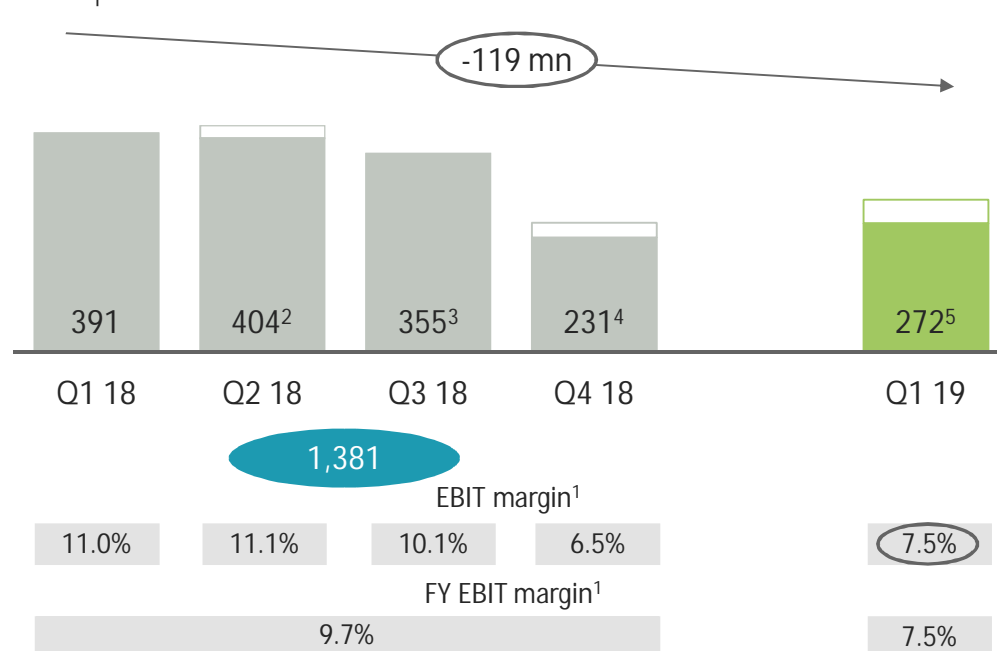
Key aspects

- 1 Negative price effect driven by continued price pressure in major AOEM end markets, especially in China; Industrial division with favorable pricing
- 2 Negative mix effect driven by AOEM, due to adverse customer and product mix in classic product lines and negative regional mix (mainly China)
- 3 Higher production costs in all divisions mainly due to higher input costs (raw materials and personnel costs)

Actions

- ▶ Additional closing days
- ▶ Further reduction of number of temporary workers
- ▶ Hiring freeze in all indirect areas

3 EBIT margin – Sequential improvement, but still subdued earnings quality

EBIT¹ | in EUR mn

¹ Before special items | ² Reported EBIT of EUR 382 mn including EUR 22 mn restructuring expenses related to the integration of the internal supplier BCT | ³ Reported EBIT of EUR 376 mn including EUR 21 mn positive special item | ⁴ Reported EBIT of EUR 205 mn including EUR 4 mn restructuring expenses related to the integration of the internal supplier BCT and 22 mn restructuring expenses for reorganization of UK business activities

Key aspects

- ▶ Even if sequentially improving, Automotive OEM division's Q1 2019 EBIT margin is the main driver of the Group's EBIT margin y-o-y erosion
- ▶ Automotive Aftermarket EBIT margin affected by market consolidation in Western Europe
- ▶ Industrial EBIT margin slightly lower y-o-y as ongoing positive volume and price effects could not fully offset higher production and logistic costs

EBIT margin¹

in EUR mn	Q1 18	Q1 19	Q1 19 vs. Q1 18
Auto OEM	9.6%	5.0%	-4.6%-pts.
Aftermarket	18.1%	14.4%	-3.7%-pts.
Industrial	11.2%	10.6%	-0.6%-pts.
Group	11.0%	7.5%	-3.5%-pts.

⁵ Reported EBIT of EUR 230 mn including EUR 55 mn restructuring expenses in connection with the program RACE and a EUR 13 mn refund of a penalty paid in 2015 in the Industrial division in connection with antitrust proceedings in South Korea

Automotive OEM – Q1 with strong outperformance; low quality of earnings

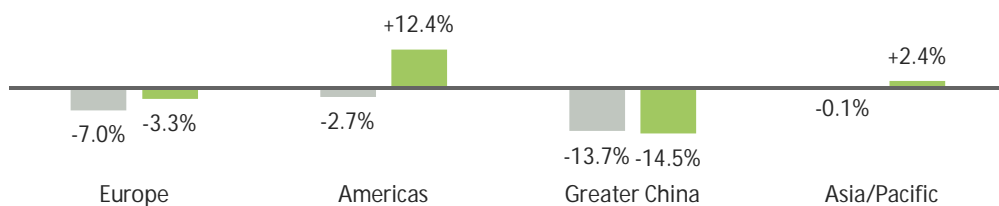
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RACE update:
Reported EBIT includes
EUR 55mn restructuring
expenses

Sales by business division | y-o-y growth

	Q1 2018	Q1 2019	Δ ¹
Engine Systems	710	699	-3.4%
Transmission Systems	1,077	1,035	-6.0%
E-Mobility	105	145	+33.9%
Chassis Systems	388	406	+3.6%
Total	2,280	2,286	-1.7%

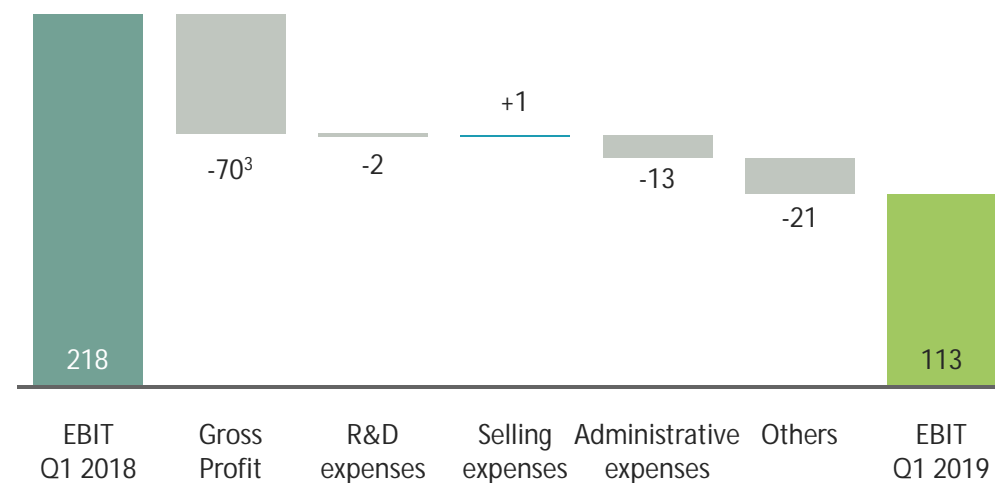
Automotive OEM sales¹ and market development Q1



■ Production of light vehicles Q1 2019 vs. Q1 2018 (IHS April)
■ Sales growth Schaeffler Automotive OEM Q1 2019 vs. Q1 2018

World production: -6.7%
Schaeffler Automotive OEM: -1.7%¹

EBIT² Q1 2018 vs. Q1 2019 | in EUR mn



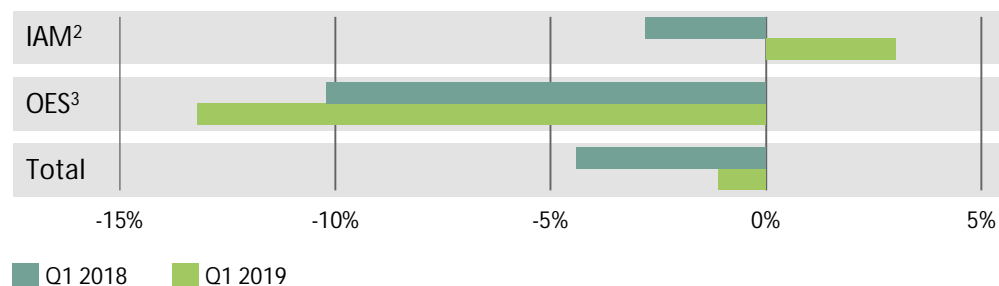
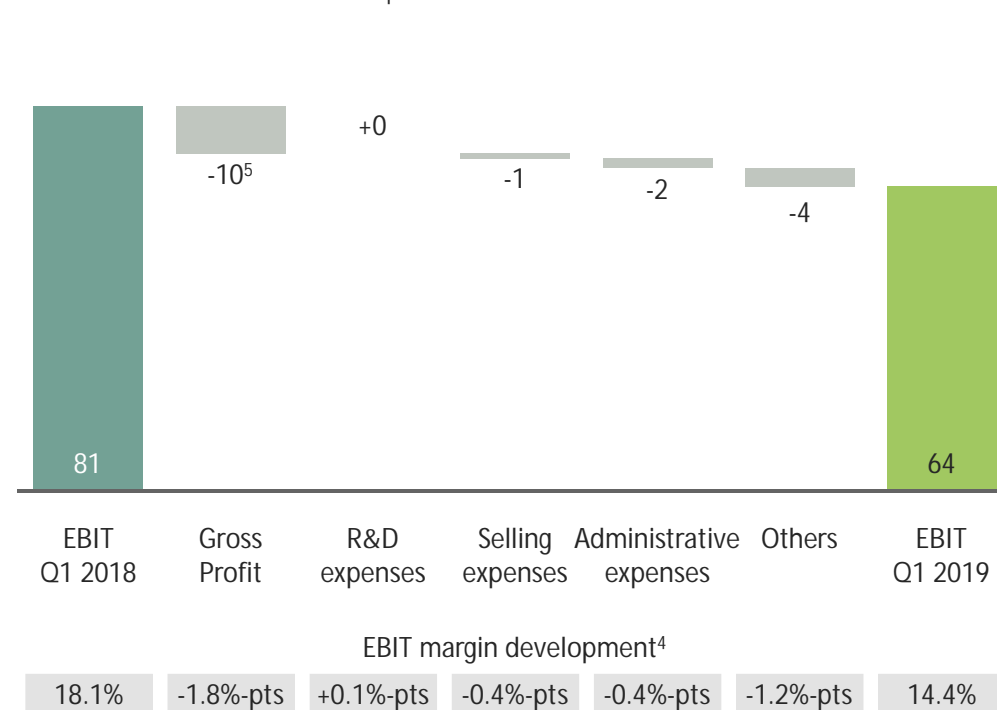
EBIT margin development ²						
9.6%	-3.1%-pts	-0.1%-pts	+0.1%-pts	-0.6%-pts	-0.9%-pts	5.0%

¹ FX-adjusted | ² Before special items | ³ Includes positive FX effects of EUR 21 mn

Automotive Aftermarket – Slow start driven by weaker OES business and higher product costs

Sales by region | y-o-y growth

	Q1 2018	Q1 2019	Δ^1
Europe	338	321	-4.2%
Americas	78	88	+14.1%
Greater China	19	20	+1.1%
Asia/Pacific	12	11	-9.6%
Total	447	441	-1.1%

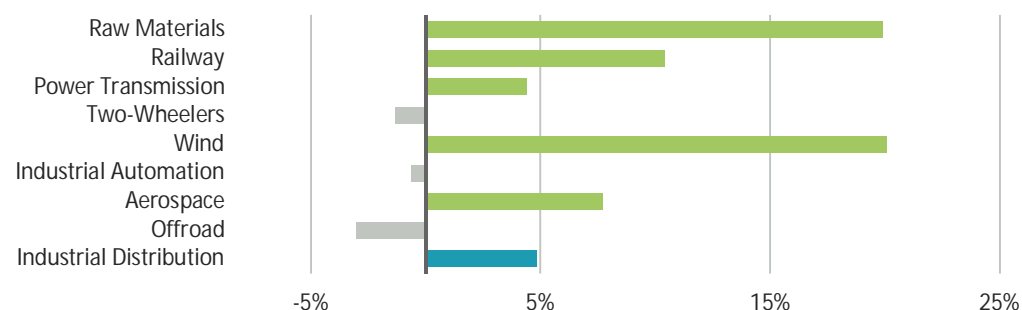
Automotive Aftermarket sales growth by channel¹¹ FX-adjusted | ² Independent Aftermarket | ³ Original Equipment ServiceEBIT⁴ Q1 2018 vs. Q1 2019 | in EUR mn⁴ Before special items | ⁵ Includes negative FX effects of EUR 1 mn

Industrial – Q1 with continued growth momentum, gross margin increase offset by higher overhead costs

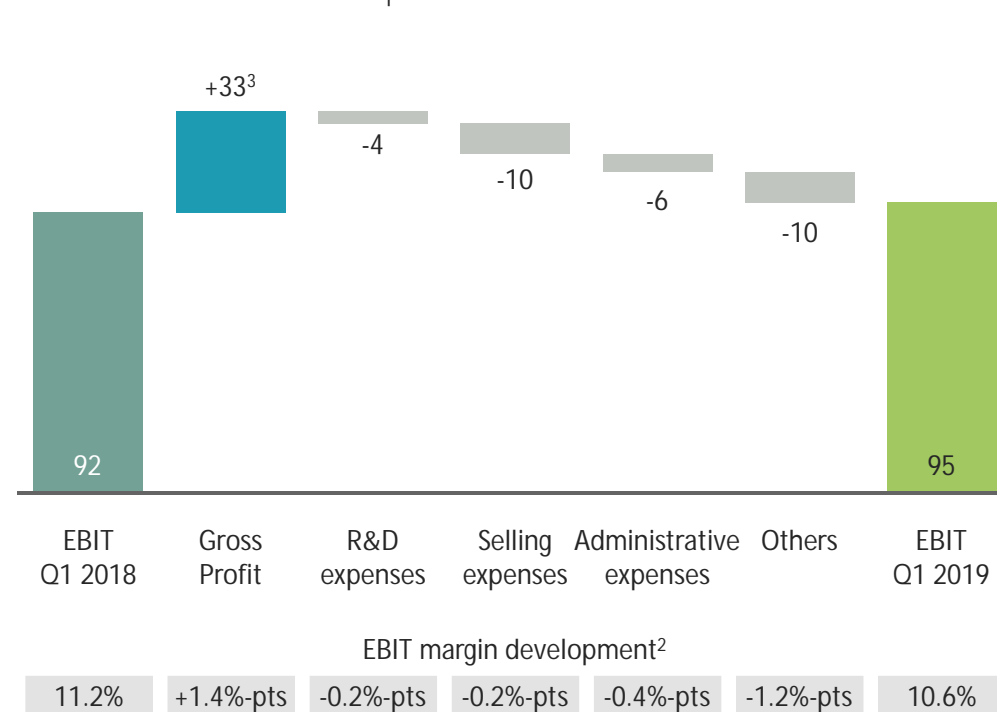
Sales by region | y-o-y growth

	Q1 2018	Q1 2019	Δ^1
Europe	482	501	+4.4%
Americas	141	162	+9.1%
Greater China	131	155	+14.1%
Asia/Pacific	70	77	+6.3%
Total	824	895	+6.9%

Industrial sales growth by sector cluster Q1 2019¹



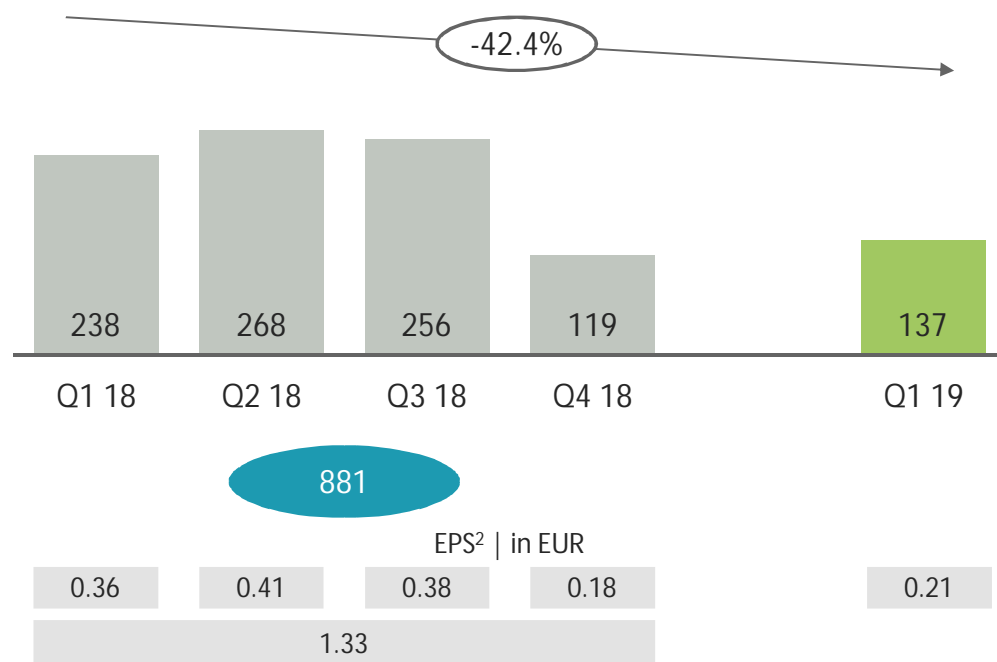
EBIT² Q1 2018 vs. Q1 2019 | in EUR mn



¹ FX-adjusted | ² Before special items | ³ Includes positive FX effects of EUR 11 mn

4 Net income¹ Q1 2019 EUR 137 mn – EPS Q1 2019 at EUR 0.21 (PY: EUR 0.36)

Net income¹ | in EUR mn

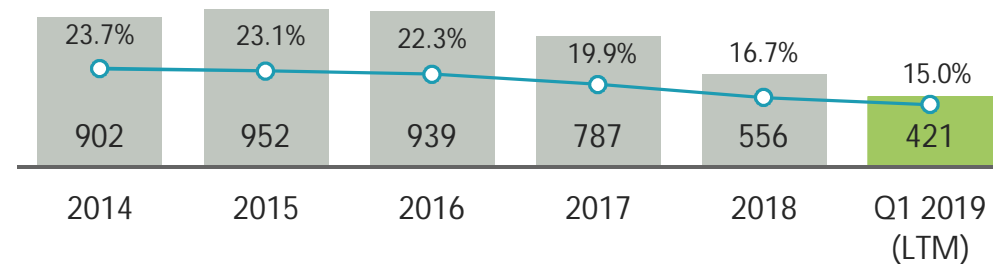


¹ Attributable to the shareholders of the parent company | ² Earnings per common non-voting share

Key aspects

- ▶ Net income decreased to EUR 137 mn (Q1'18: EUR 238 mn)
- ▶ Decrease driven by lower EBIT
- ▶ EPS decreased to EUR 0.21 (Q1'18: EUR 0.36)

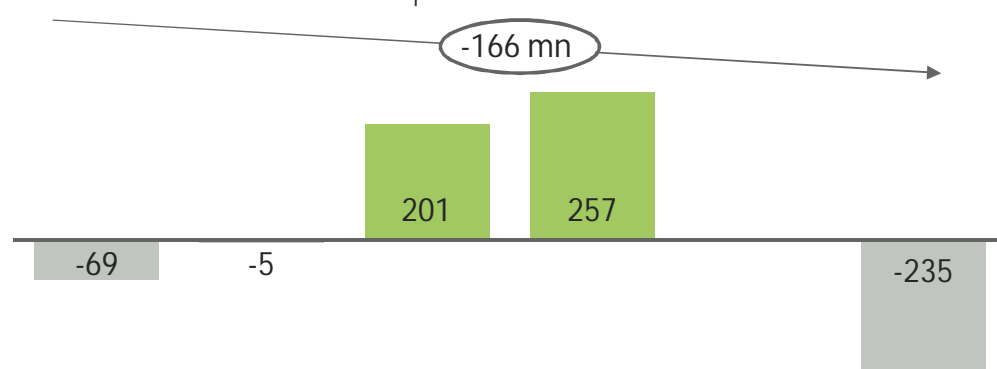
Schaeffler Value Added³ | in EUR mn



— ROCE before special items

³ Defined as EBIT before special items minus Cost of Capital (10% × Ø Capital Employed)

5 Free Cash Flow before M&A¹ FY at EUR -235 mn (PY: EUR -69 mn) – Capex Ratio Q1 19 at 10.3%

Free Cash Flow before M&A¹ | in EUR mn

Key aspects

- ▶ FCF before M&A decreased to EUR -235mn (PY: EUR -69mn)
- ▶ Lower profitability and higher Capex
- ▶ FCF before M&A impacted by strategic investments, e.g. AKO Europe – Underlying FCF before M&A at EUR -173 mn

FCF Details | in EUR mn

	Q1 2018	Q1 2019	Δ Q1 18/19
FCF as reported	(71)	(300)	(229)
Non recurring items ⁴	33	11	(22)
Investments ⁵	19	51	32
M&A	2	65	63
Receivable Sale Program	0	0	0
	(17)	(173)	(156)

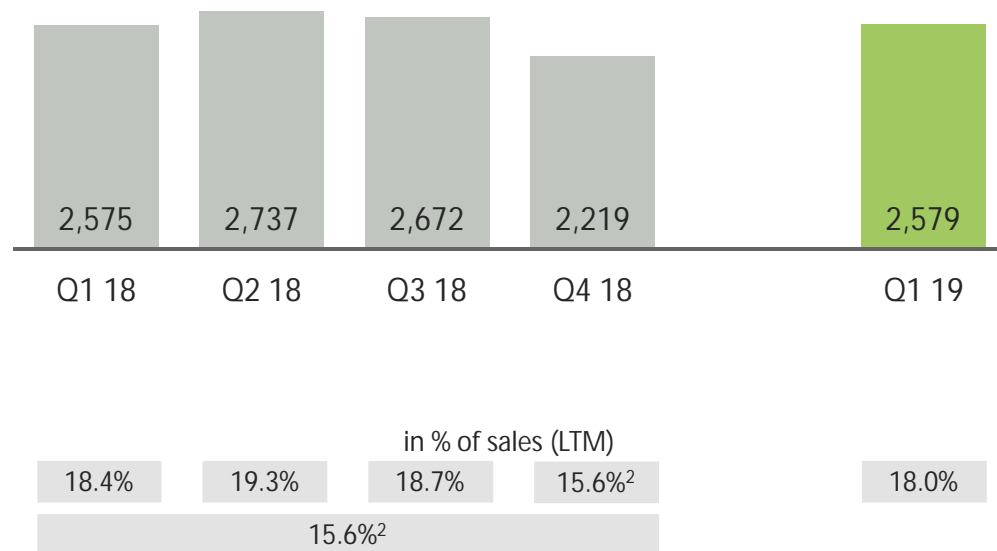
¹ Before cash in- and outflows for M&A activities

² LTM FCF before M&A divided by EBITDA before special items | ³ Capex in % of sales

⁴ Including payments for legal cases and restructuring measures | ⁵ Capex in major strategic projects, e.g. Agenda 4 plus One (AKO Europe, EDC, Focus)

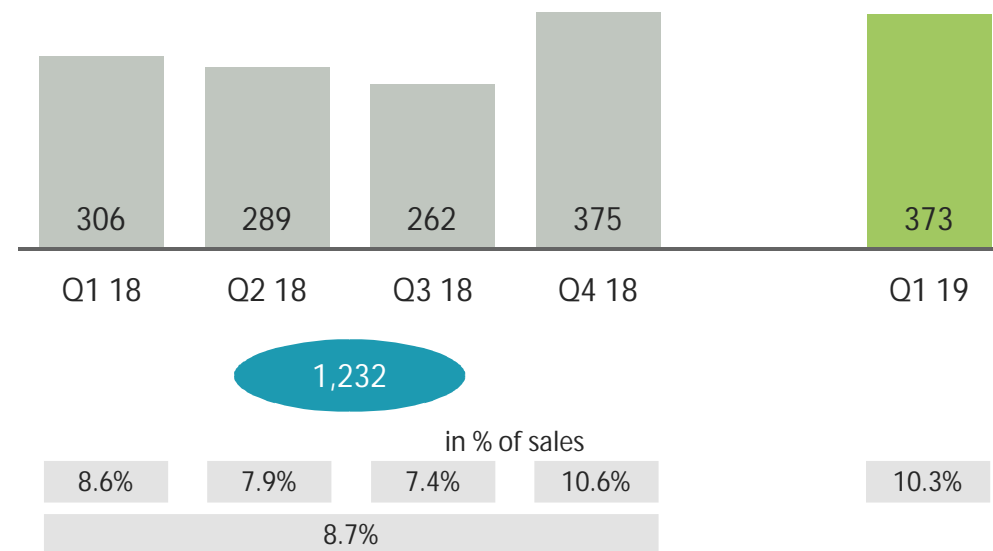
6 Working Capital ratio 18.0% – Capex ratio 10.3% in Q1

Working capital¹ | in EUR mn



¹ According to balance sheet; figures as per the end of period
² At December 31st, 2018, trade receivables with a carrying amount of EUR 166 mn (net of retained default risks had been sold under the ABCP program)

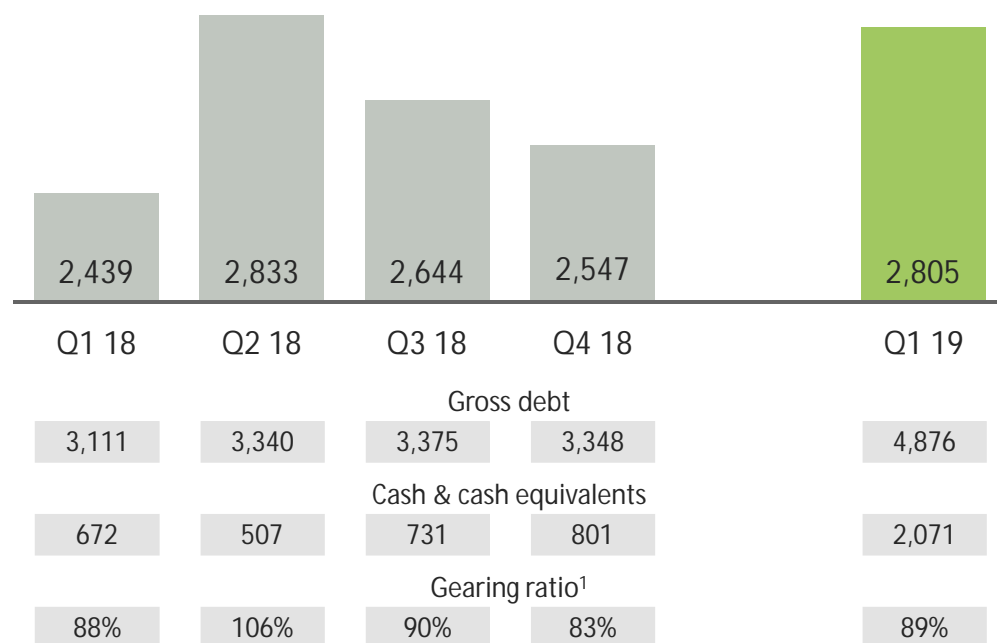
Capex³ | in EUR mn



³ Cash view

7 Net debt of EUR 2,805 mn – Gearing ratio¹ at 89%

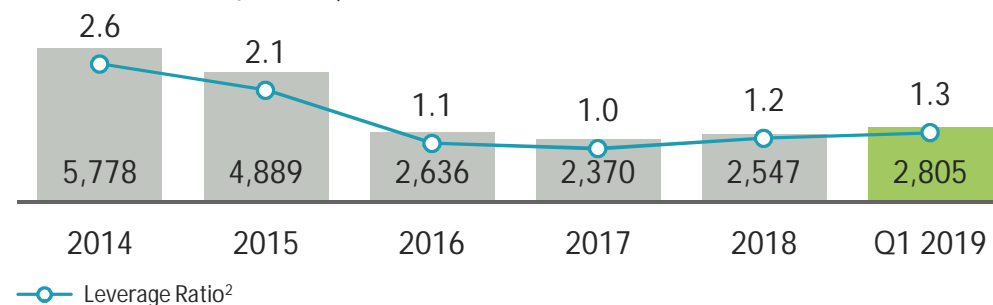
Net financial debt and Gearing ratio | in EUR mn


¹ Gearing ratio: Ratio of net financial debt to equity incl. non-controlling interests in %

Key aspects

- ▶ Net debt increased slightly to EUR 2,805 mn (FY'18: EUR 2,547 mn) due to seasonally negative FCF; Net leverage ratio² at 1.3x
- ▶ Successful placement of Investment Grade bonds to refinance existing indebtedness
- ▶ Early Repayment of the three Schaeffler Finance B.V. bonds scheduled for May 15, 2019

Net debt development | in EUR mn


² Leverage Ratio: Net financial debt to EBITDA ratio before special items

Guidance 2019 confirmed on Group and divisional level

Group Guidance

	Actuals Q1 2019	Guidance FY 2019
Sales growth ¹	+0.4%	1 - 3%
EBIT margin ²	7.5%	8 - 9%
Free Cash Flow ³	EUR -235 mn	~ EUR 400 mn

¹ FX-adjusted | ² Before special items³ Before cash in- and outflows for M&A activities

Divisional Guidance

Automotive OEM		Automotive Aftermarket		Industrial	
Actuals Q1 2019	Guidance FY 2019	Actuals Q1 2019	Guidance FY 2019	Actuals Q1 2019	Guidance FY 2019
-1.7%	1 - 3%	-1.1%	1 - 3%	+6.9%	1 - 3%
5.0%	6 - 7%	14.4%	15 - 16%	10.6%	10 - 11%

Market assumptions 2019

- ▶ Automotive OEM: Decrease of global passenger car production of around minus 1%
- ▶ Automotive Aftermarket: Slower growth in the global vehicle population and a nearly unchanged average vehicle age
- ▶ Industrial: Growth of industrial production of approximately 2% (Prior⁴: 2.6%)

⁴ At March 6th 2019

Conclusion & Outlook – Full focus on cost and capex discipline, cash generation and transformation

- 1 Q1 sales development impacted by subdued market conditions, better second half expected in the Automotive divisions, but visibility remains low

- 2 Automotive OEM: Program RACE on track, on top, additional measures to reduce production costs

- 3 Automotive Aftermarket: SG&A efficiency measures to compensate for headwinds

- 4 Industrial: Gross margin increased in Q1, program FIT to support earnings quality going forward

- 5 Capex budgets further reduced in non-strategic areas, hurdle rates tightened, stricter approval levels. Overhead cost discipline enforced across the board



Adapting execution
to a more complex
market environment

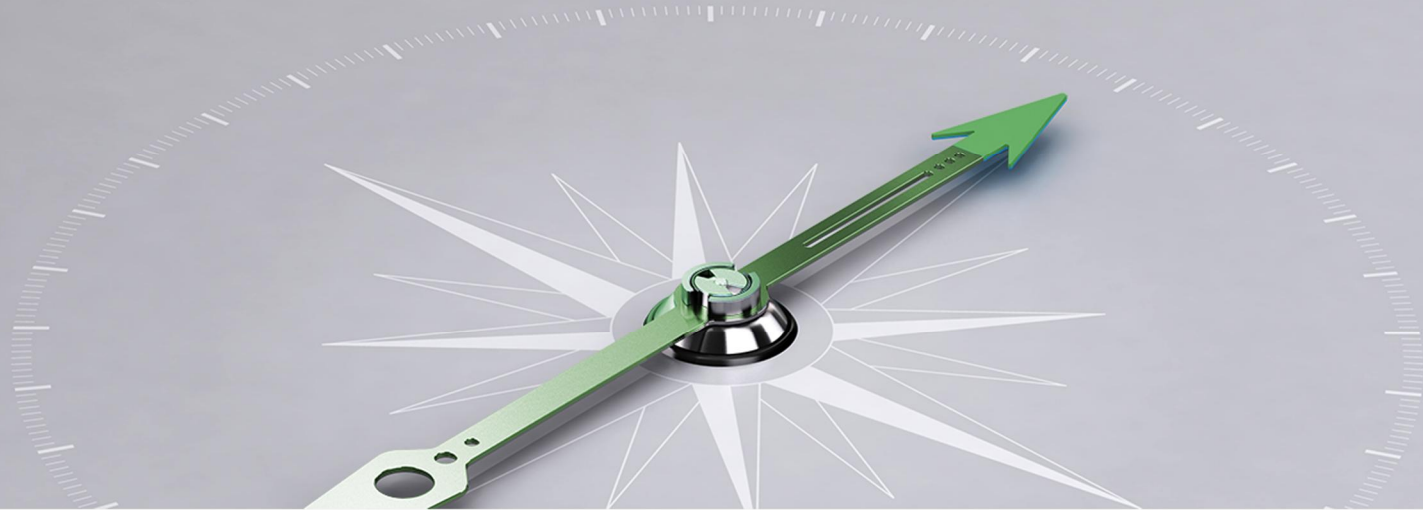
Financial calendar 2019 – CMD 2019 moved to September 11th, 2019

Roadshows

May 9 th	London
May 10 th	Frankfurt
May 16 th	Paris
May 23 rd	Toronto

Regular capital market communication

May 8 th	Q1 2019 Earnings Release
Aug 6 th	Q2 2019 Earnings Release
Sep 11 th	Capital Markets Day 2019, Deutsche Bank IAA Conference
Nov 5 th	Q3 2019 Earnings Release



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Appendix

A1 Business and Strategic Update

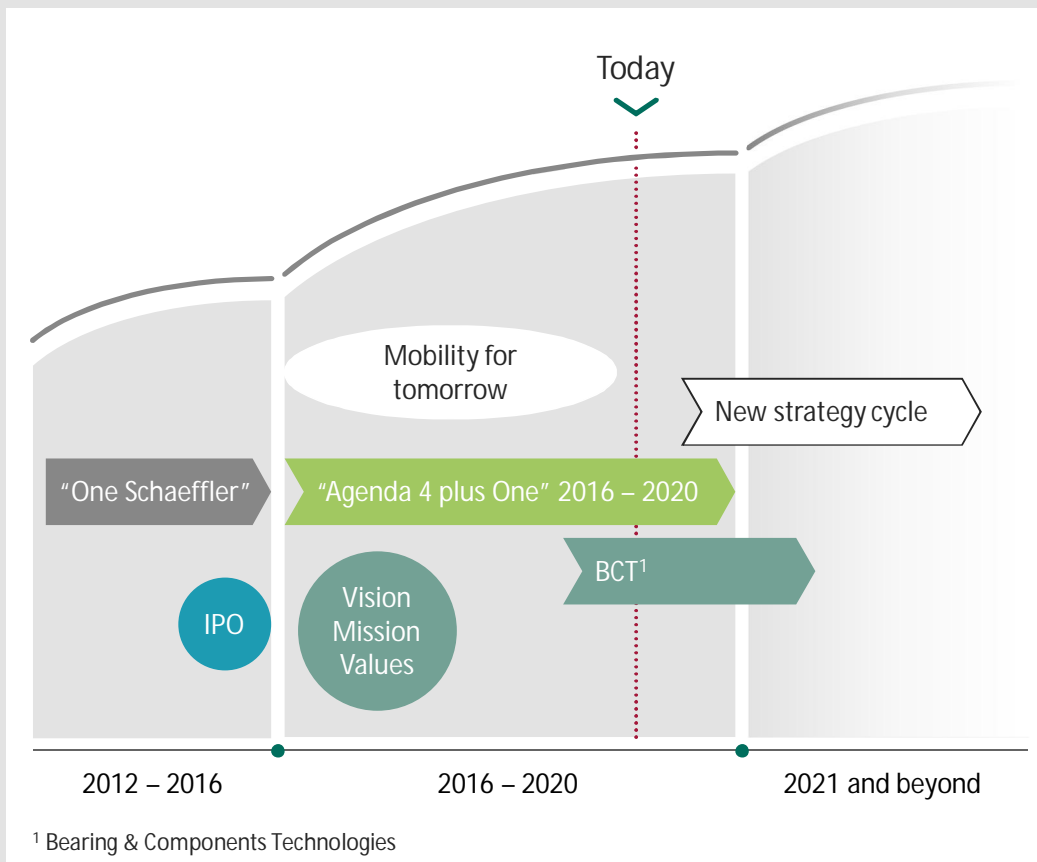
A2 Automotive OEM

A3 Automotive Aftermarket

A4 Industrial

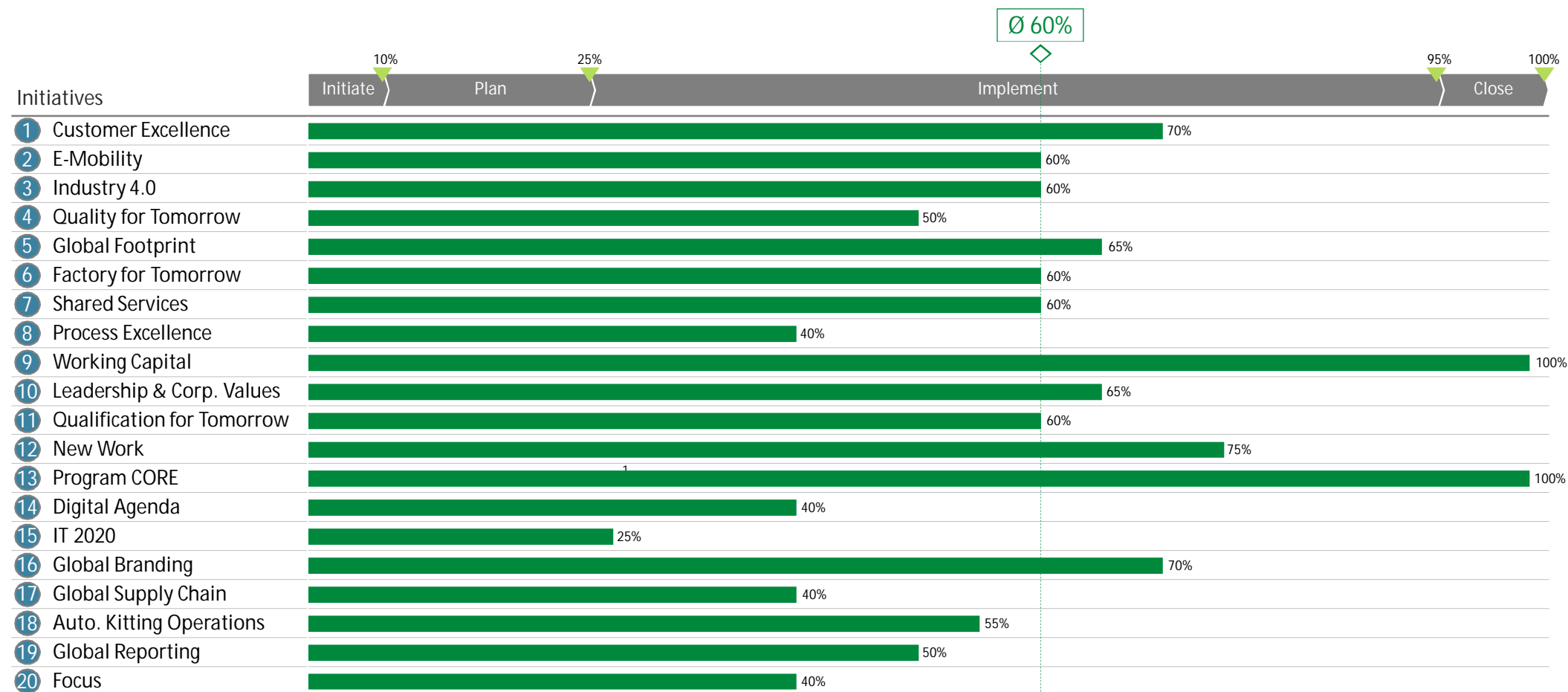
A5 Backup

Transformation continues – Environment to remain challenging



- 1 Environment remains challenging
 - ▷ Subdued growth, low visibility
 - ▷ Macroeconomic and geopolitical risks
 - ▷ Technological changes
- 2 We concentrate on our strengths
 - ▷ Automotive and Industrial supplier with global customer base
 - ▷ Technology & Industrialization excellence
 - ▷ Strong balance sheet
- 3 We take action
 - ▷ Executing existing efficiency initiatives / Agenda 4 plus One
 - ▷ New program RACE in Automotive OEM
 - ▷ Increased cost and Capex discipline

Agenda 4 plus One – Progressing on schedule with completion ratio of 60%



A Drive continuous improvement – Execution of efficiency initiatives progressing

Overview initiatives

	Start Date	Cost Efficiency Target	HCO ¹ Reduction Target	Restructuring Cost	Full Financial Impact	Focus	Completion Ratio at CMD ²	Completion Ratio now
CORE I	10/2015	~ EUR 40 mn	~ 500	EUR 36 mn ³	12/2018	Industrial	100%	100%
CORE II	10/2016	~ EUR 90 mn	~ 400	EUR 45 mn ⁴	12/2019	Industrial	>50%	100%
Shared Services	10/2017	~ EUR 25 mn	~ 100	EUR 39 mn ⁵	12/2022	Group	35%	55%
BCT ⁶	5/2018	~ EUR 60 mn	~ 950	EUR 26 mn ⁷	12/2021	Auto OEM/ Industrial	5%	20%

+

New program RACE in Automotive OEM

¹ HCO = Headcount | ² 20th of September 2018 | ³ Booked in 2015 | ⁴ Booked in 2016 | ⁵ Booked in 2017 | ⁶ Bearing & Components Technologies | ⁷ Booked in 2018

B Enhance competitiveness in Auto OEM – RACE program



Program
RACE¹ is

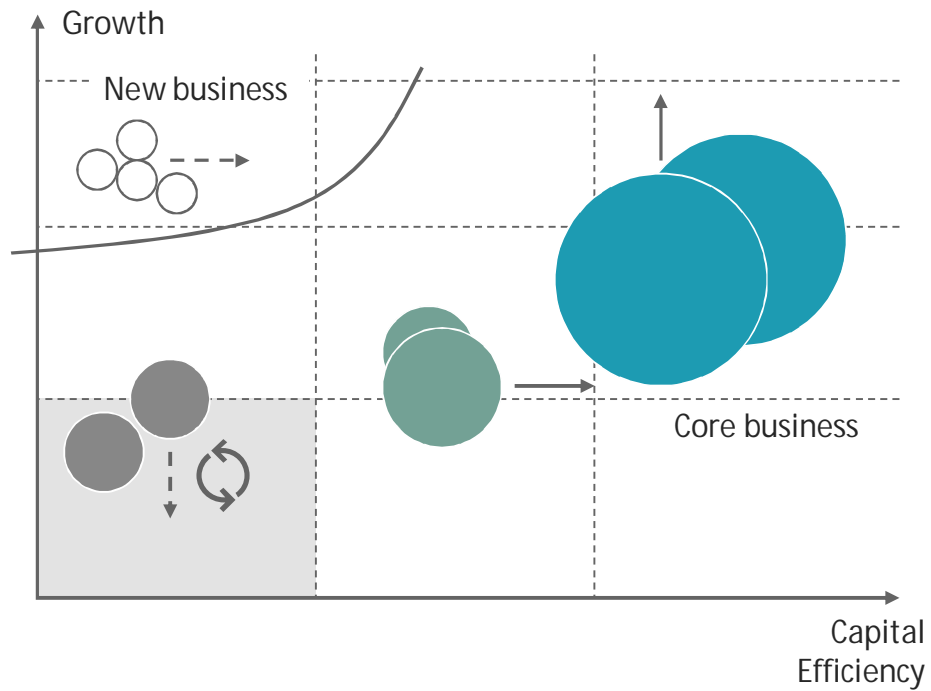
- 1 An Efficiency and Portfolio optimization program
- 2 Led by Matthias Zink, CEO Automotive OEM, started end of 2018
- 3 Aimed at structurally improving competitiveness of the Automotive OEM division in three waves
- 4 Focusing on 6 key levers – Plant Footprint in Europe, Portfolio alignment, Overhead cost, R&D prioritisation, Capital Efficiency, Order Intake
- 5 Starting with a first wave targeting an EBIT-Margin improvement of around 100 bps or EUR 90 mn² in 2021/2022 out of one-time restructuring costs of around EUR 60 mn³ in 2019
- 6 Designed to create long-term value and secure a high single-digit EBIT margin in the mid-term

¹ RACE = Regroup Automotive for higher Margin and Capital Efficiency

² Full run-rate | ³ First indication

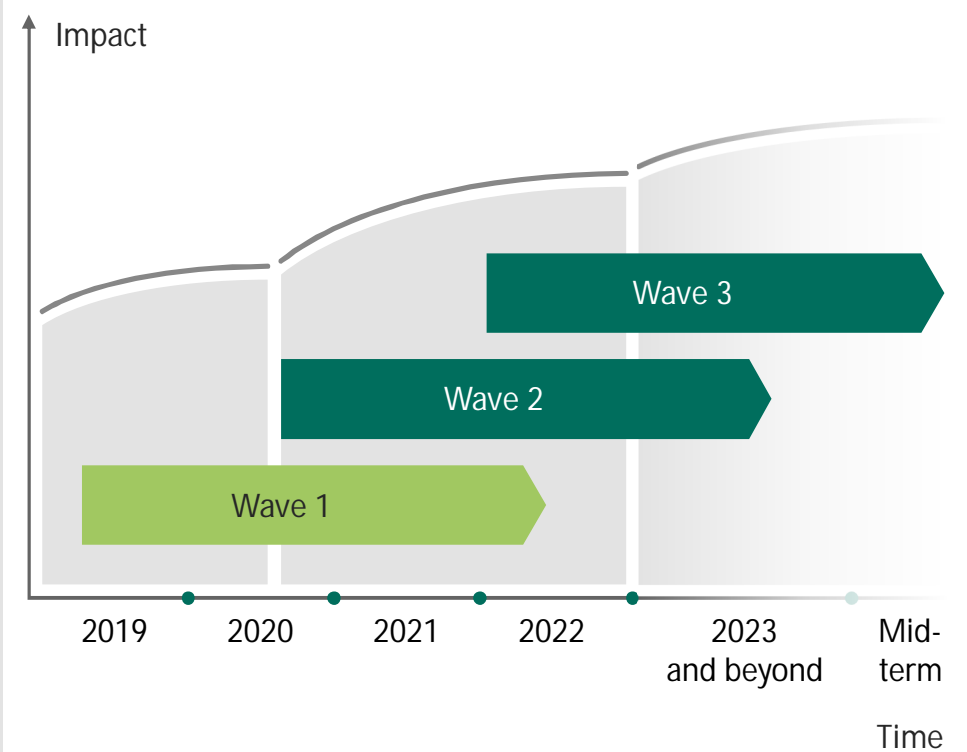
B Efficiency and Portfolio Optimization – Execution in three waves

Business portfolio | Automotive OEM



+

Execution | Program RACE



B RACE Wave 1 – 100 bps EBIT margin improvement

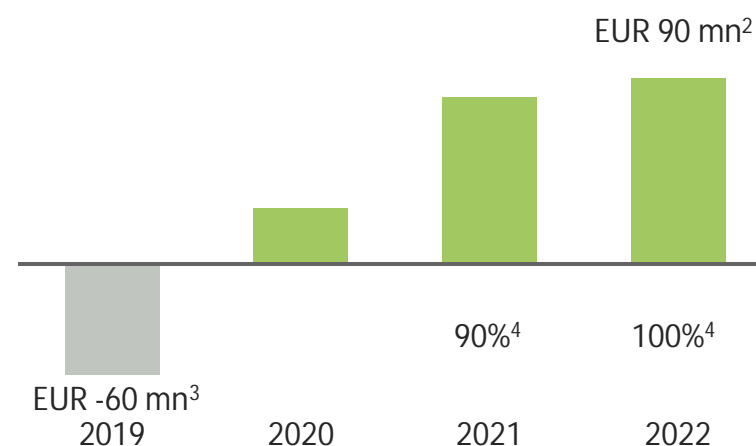
Wave 1 – Levers and Targets

1	Footprint Europe	Consolidate up to five Automotive plant locations in Europe
2	Cost efficiency	Reduce around 900 jobs, thereof around 700 in Germany
3	Portfolio adjustment	Divest/exit selected non-core businesses in particular within business divisions Engine/ Transmission systems and reinvest proceeds in strategic growth areas
4	R&D prioritisation	R&D/sales ratio for Automotive OEM to be restricted to 8.0% - 8.5% in 2019 and 2020 with ongoing shift towards strategic growth areas
5	Capital efficiency	Reduce Capex to below EUR 900 mn ¹ p.a. for Automotive OEM and strengthen capital discipline
6	Order intake	Increase order intake in E-Mobility and Chassis Mechatronics by EUR 1.5 - 2.0 bn p.a. in the next 3 years

¹ Including allocated Capex | ² Full run rate | ³ First indication to be further validated

⁴ Percentage of full financial impact achieved

Financial impact | in EUR mn

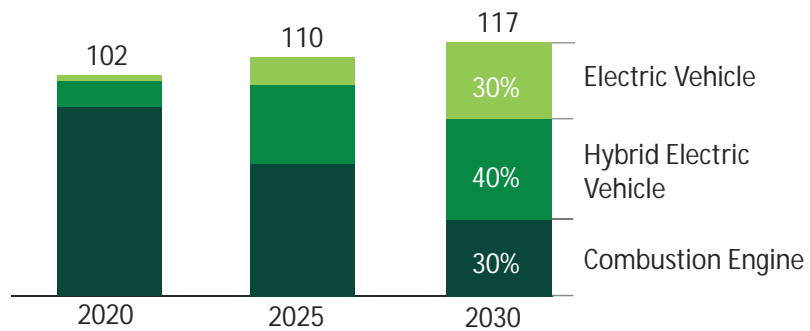


Key assumptions

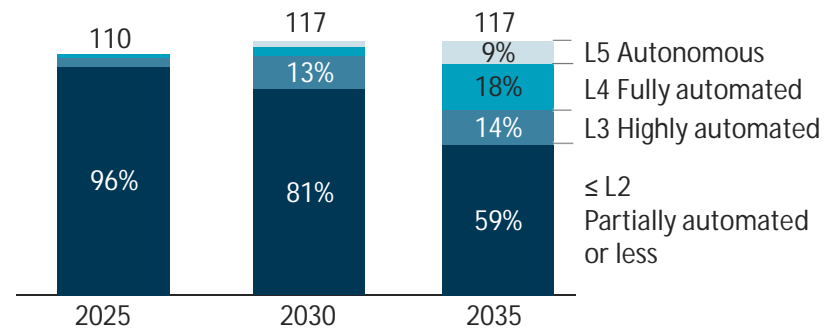
- ▶ Continuation of volatile and uncertain environment
- ▶ Neither severe recession nor strong recovery
- ▶ Measures aligned in consultation with workers' councils

B Program RACE – Growth prospects, order intake and outperformance

Vision Powertrain World Light Vehicle Production in mn



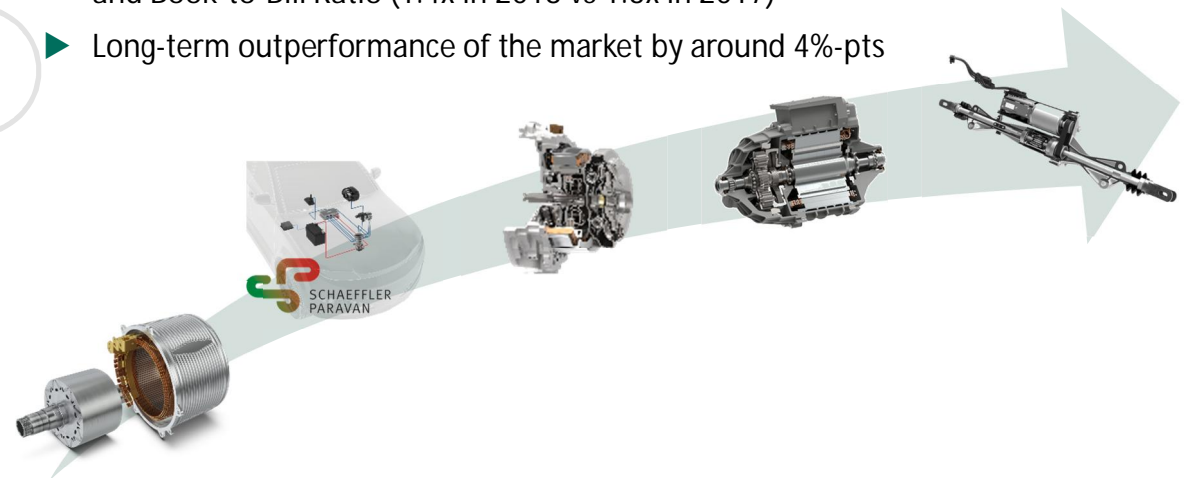
Vision Chassis¹ World Light Vehicle Production in mn



¹ Source: IHS Autonomy and McKinsey / Values based on Light Vehicles < 6 tons only

Key aspects

- ▶ Technological competence and innovative strength complemented via bolt-on acquisitions
- ▶ High Potential in E-mobility from Electrification / Hybridization and in Chassis Mechatronics
- ▶ Continuously improving Order Intake (2018: EUR 12.6 bn vs. EUR 11.3 bn 2017) and Book-to-Bill Ratio (1.4x in 2018 vs 1.3x in 2017)
- ▶ Long-term outperformance of the market by around 4%-pts



C We take action – Improve cost and Capex discipline, optimize portfolio

Cost discipline

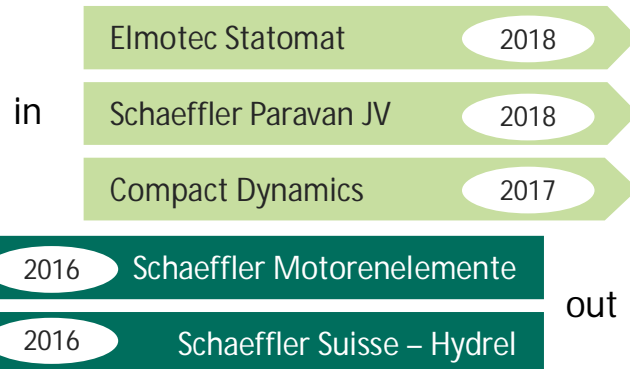
- Overhead cost to be harmonized with sales growth development
- Hiring freeze¹ for all overhead and indirect functions
- Additional measures to be introduced to improve productivity in plants

¹ Except for high growth areas

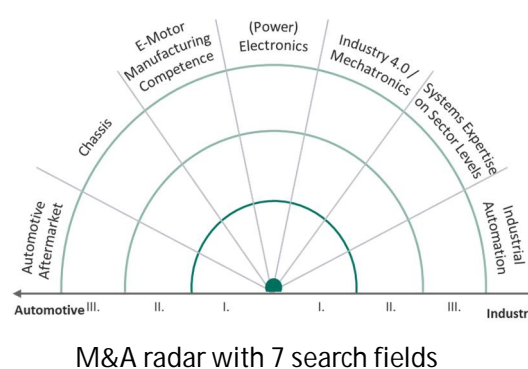
Capex discipline

- Capex to sales ratio limited to 6-8% of sales, stricter allocation to growth areas ("earn the right to grow"-logic)
- Capex Committee strengthened, hurdle rates (Gross Profit, NPV, IRR) tightened
- Strict target set for the Short Term Bonus (20% share) to incentivize more proactive cashflow management (zero bonus in case target is missed)

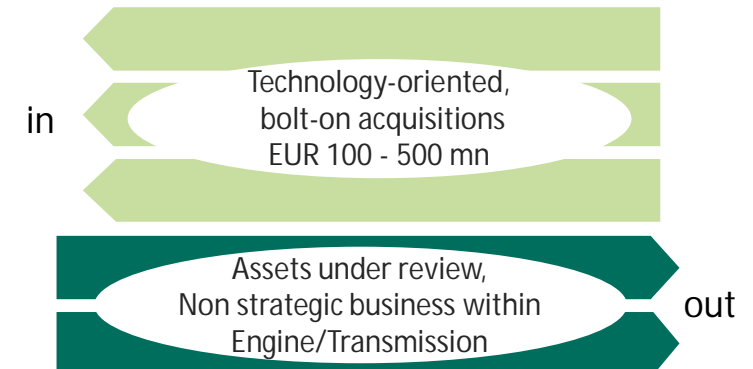
Acquisitions/Divestments 2016 - 2018



Portfolio optimization



Acquisitions/Divestments/Exits going forward

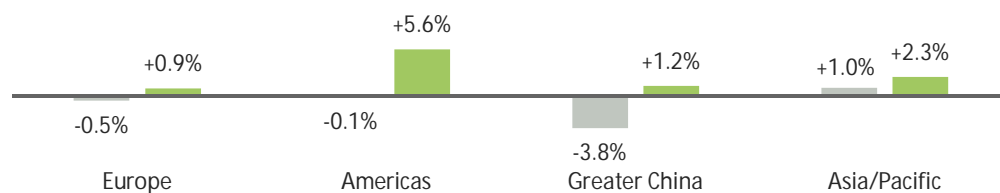


Automotive OEM – FY 2018 overview

Sales by business division | in EUR mn

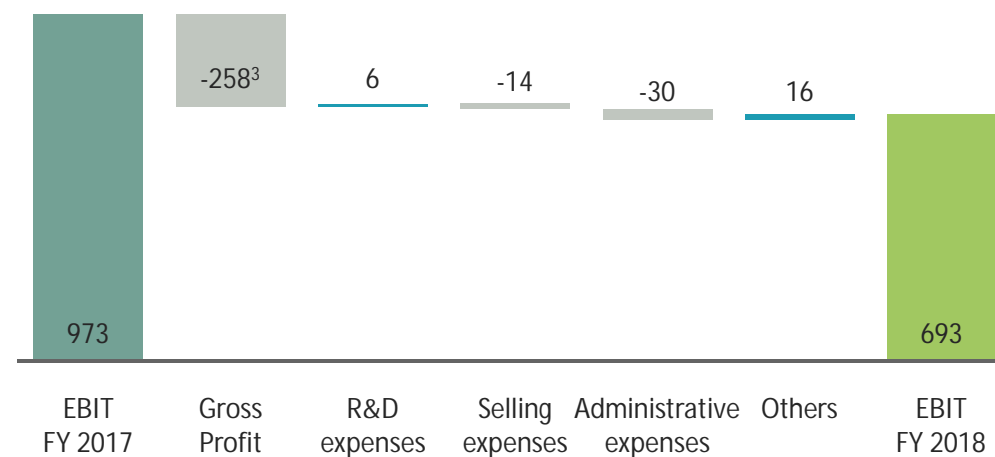
	FY 2017	FY 2018	Δ^1
Engine Systems	2,786	2,783	+2.1%
Transmission Systems	4,204	4,170	+1.4%
E-Mobility	416	486	+18.1%
Chassis Systems	1,585	1,558	+0.1%
Total	8,991	8,997	+2.1%

Automotive OEM sales and market development 2018



■ Production of light vehicles 2018 vs. 2017 (IHS)
■ Sales growth Schaeffler Automotive OEM 2018 vs. 2017

World production: -1.1%
 Schaeffler Automotive OEM: +2.1%¹

EBIT² 2017 vs. 2018 | in EUR mn

EBIT margin development ²						
10.8%	-2.9%-pts	+0.1%-pts	-0.1%-pts	-0.4%-pts	+0.2%-pts	7.7%

¹ FX-adjusted | ² Before special items | ³ Includes negative FX effects of EUR -64 mn

Product portfolio – Broad drivetrain know-how

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Engine systems 31%

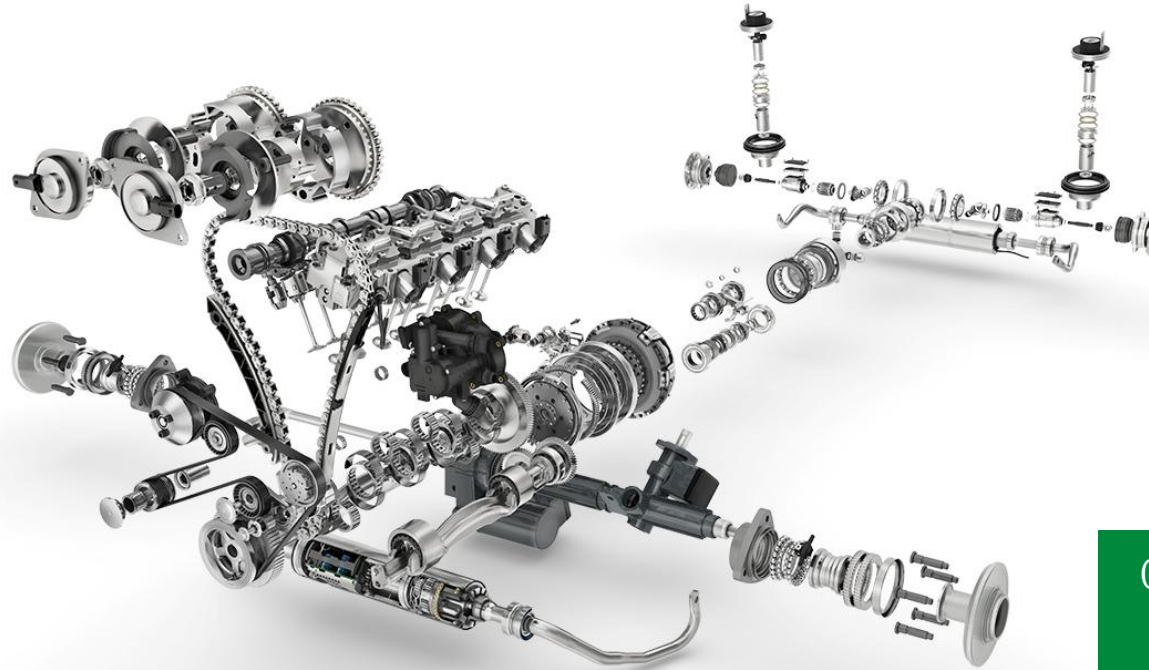
of Automotive OEM sales in 2018

- ▶ Valve train components & systems
- ▶ Variable camshaft timer
- ▶ Belt & chain drive systems
- ▶ Thermal management modules

E-Mobility 5%

of Automotive OEM sales in 2018

- ▶ Hybrid modules
- ▶ E-Axles
- ▶ Actuators, CVT technologies
- ▶ Wet double clutches



Transmission systems 46%

of Automotive OEM sales in 2018

- ▶ Clutch systems, E-clutches
- ▶ Damping technology (e.g. dual mass flywheels)
- ▶ Double-clutch transmissions
- ▶ Torque converter

Chassis systems 17%

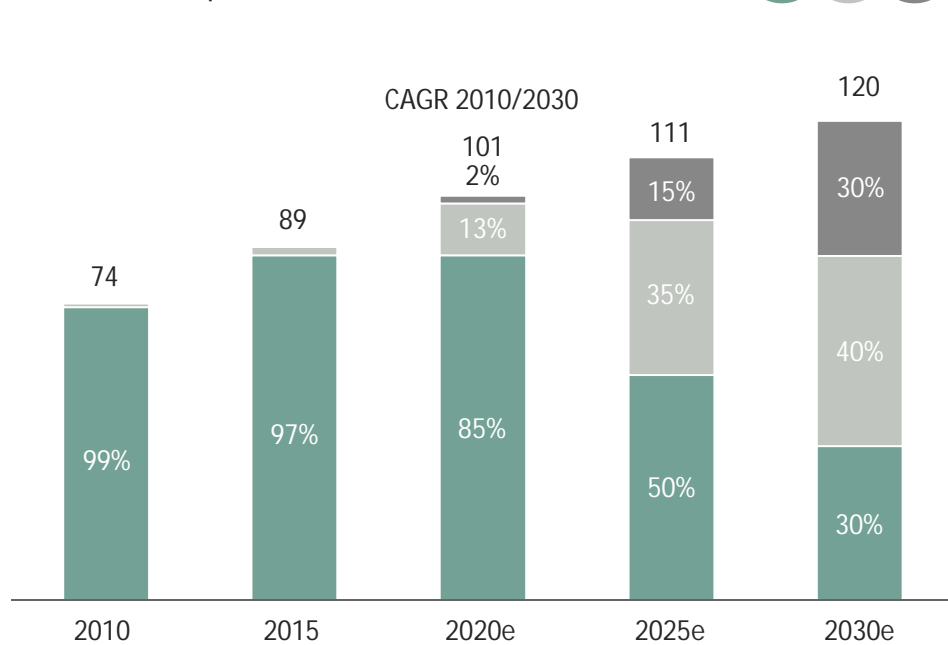
of Automotive OEM sales in 2018

- ▶ Chassis bearings
- ▶ Wheel bearings
- ▶ Ball screw drives for steering systems
- ▶ Active mechatronic roll control

Vision Powertrain – Market moving towards the accelerated scenario

Accelerated Scenario

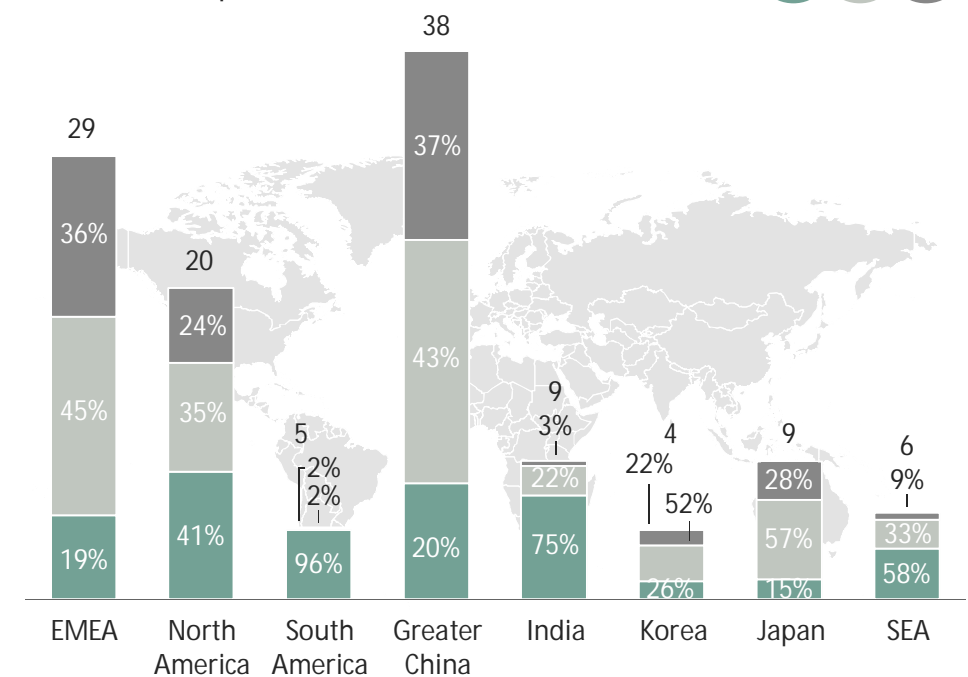
Global vehicle production (in mn units)



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)

Regionalized Accelerated Scenario 2030

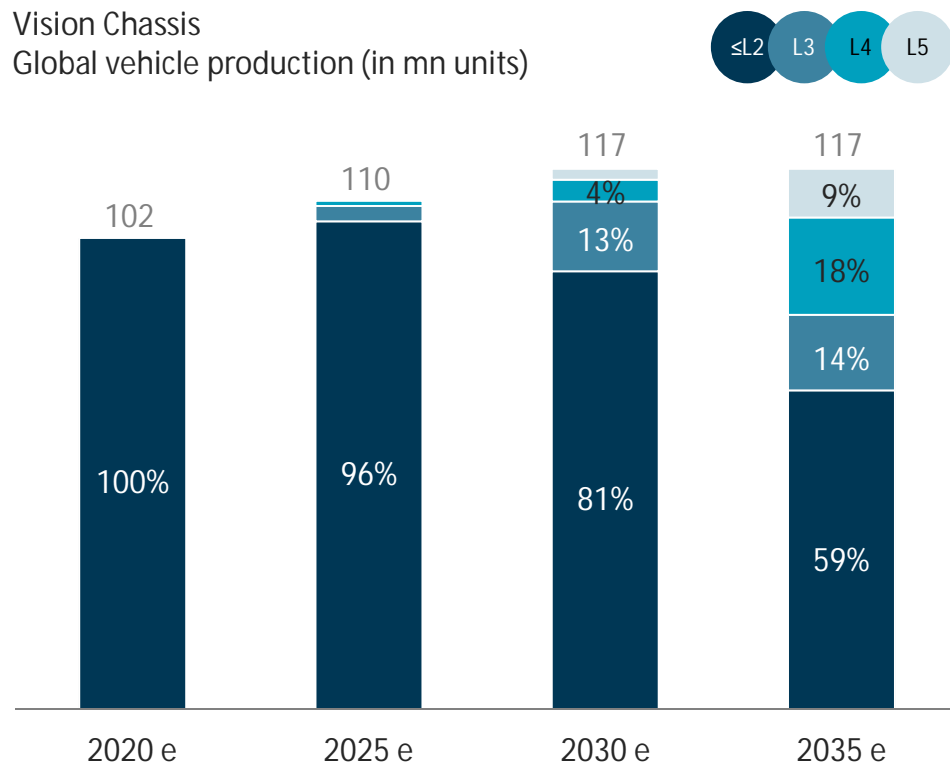
Global vehicle production (in mn units)



Vision Chassis – Market shifting towards autonomy

Vision Chassis

Global vehicle production (in mn units)



Source: IHS Autonomy and McKinsey / Values based on Light Vehicles < 6 tons only

L0 = No Automation, L1 = Driver Assistance, L2 = Partial Automation, L3 = Conditional Automation, L4 = High Automation, L5 = Full Automation

Steer-By-Wire Systems

Key growth technology for automated vehicles by allowing the steering wheel to disappear conditionally or being eliminated entirely



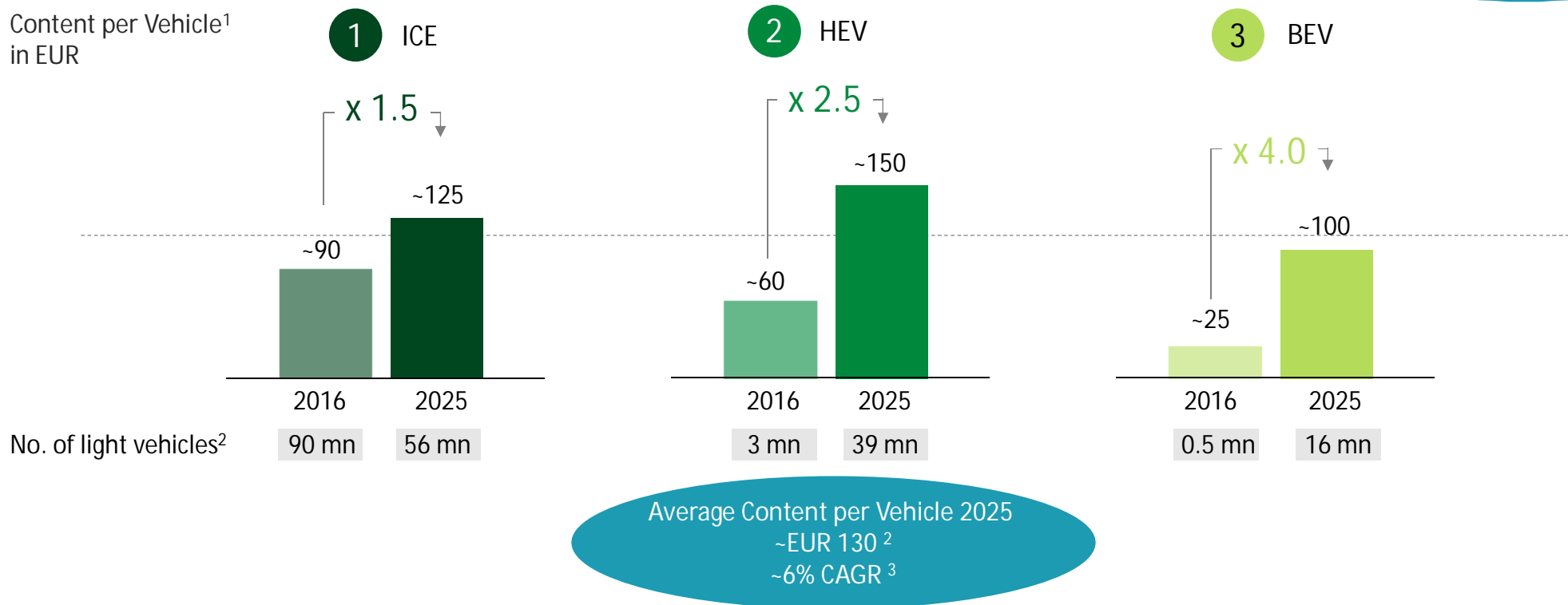
	Definition		Fitment rate Steer-by-Wire
L5	Autonomous		100 %
L4	Fully automated		20 - 30%
L3	Highly automated		20 - 30%

E-Mobility – Content per vehicle

SCHAEFFLER

excl. Aftermarket, Heavy
Duty & Motorcycles

Content per Vehicle¹
in EUR



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%

Schaeffler e-Axle transmission is driving the brand new Audi eTron Quattro

E-Axle subsystems

Power Electronics



E-Machines



E-Axle Transmission



Actuators

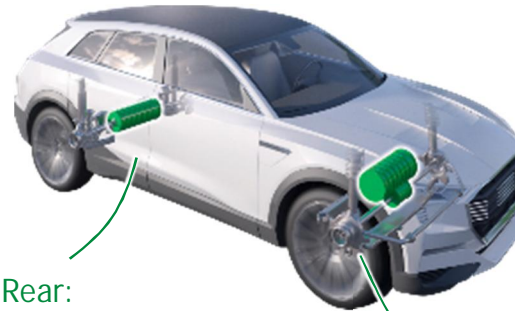


Software



2018 Schaeffler's new Lightweight E-Axle Transmissions for the Audi eTron Quattro

SOP Q3/2018



Rear:
Coaxial design
1-speed E-Axle
Transmission

Front:
Parallel design 1-
speed E-Axle
Transmission with
integrated electr.
mech. parking lock



- ▶ Schaeffler supplies both E-Axle Transmissions for the new Audi eTron Quattro
- ▶ Both E-Axles are based on Schaeffler's patented Lightweight Differential technology
- ▶ The rear axle is build in coaxial design and sets a new benchmark in power density (230 Nm/kg).
- ▶ The front axle is build in parallel design and includes a parking lock with electro-mechanical actuator

Best-in class
power density for
E-Axle transmissions:
230 Nm/kg

A2: Automotive OEM

E-Mobility – Production technology gap closed

SCHAEFFLER

Stator Manufacturing Processes



Rotor Manufacturing Processes



- in series production at Schaeffler today
- prototyping machines available at Schaeffler
- ext. supplier technology as of today
- Production Technology Elmotec Statomat

SCHAEFFLER E-Motor
with wave-winding technology

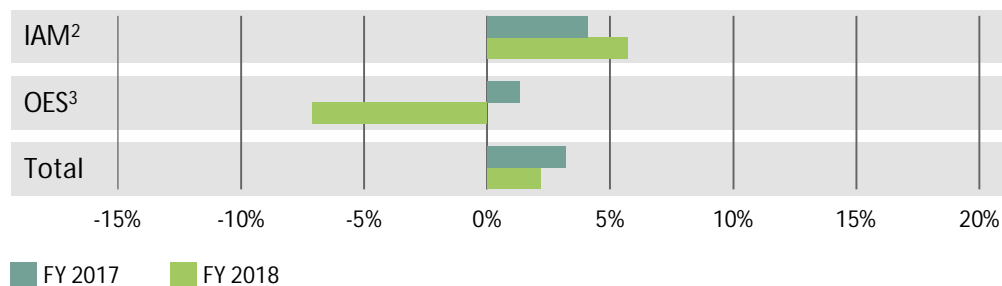
Schaeffler already covered the majority of the E-Motor production processes
With this acquisition we are closing now the last remaining production technology gap

Ready to produce by 2020

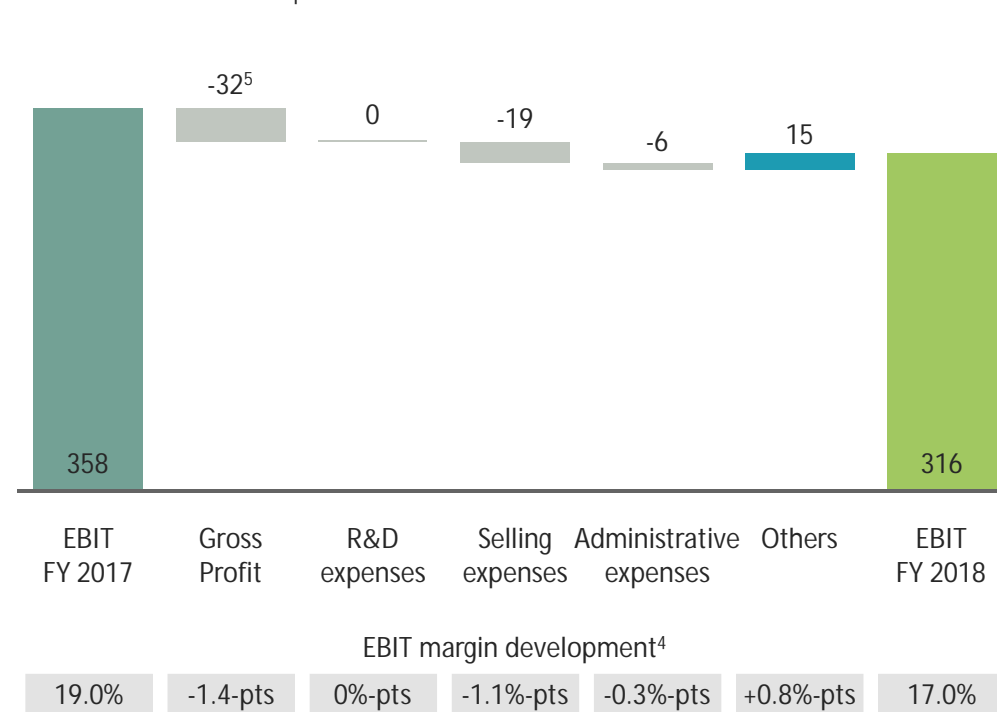
Automotive Aftermarket – FY 2018 overview

Sales by region | y-o-y growth

	FY 2017	FY 2018	Δ^1
Europe	1,375	1,393	+2.5%
Americas	403	340	-5.2%
Greater China	57	76	+36.5%
Asia/Pacific	45	50	+12.5%
Total	1,880	1,859	+2.2%

Automotive Aftermarket sales growth by channel 2018¹

¹ FX-adjusted | ² Independent Aftermarket | ³ Original Equipment Service

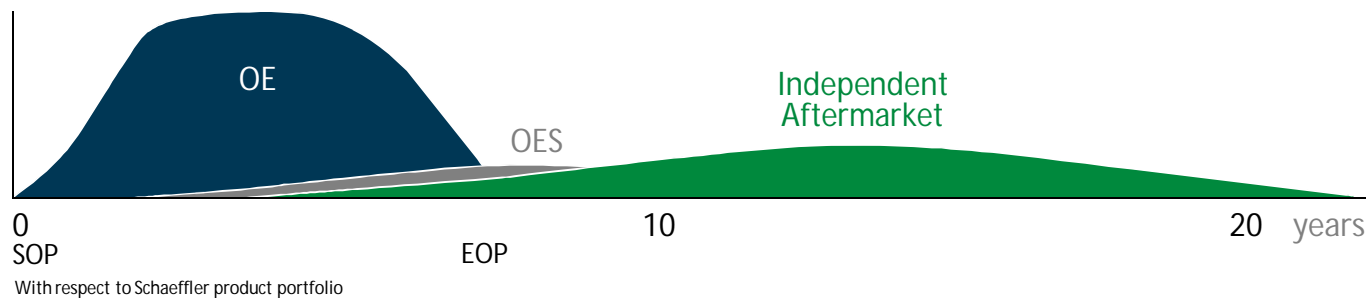
EBIT⁴ 2017 vs. 2018 | in EUR mn

⁴ Before special items | ⁵ Includes negative FX effects of EUR -27 mn

Business in 2025 is shaped by today's registrations – 20+ years lifecycle

6 – 8 years OE lifecycle followed by 20+ years in the Aftermarket

Annual Volumes



Example – VW Golf

SOP 2003 – EOP 2008



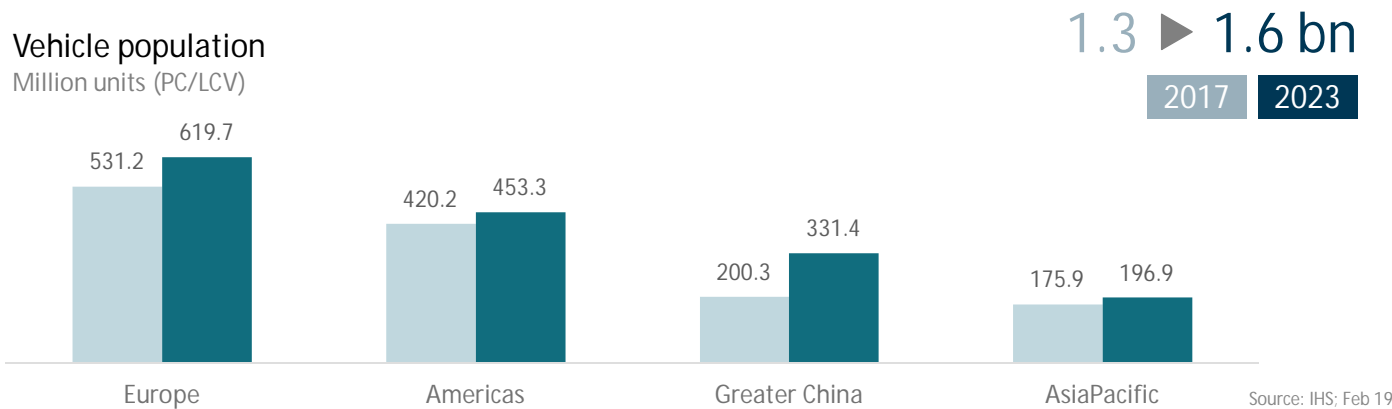
Key aspects

- ▶ Lifetime revenue potential in Independent Aftermarket typically near half of revenues in OE lifecycle – for applicable product groups
- ▶ Change in powertrain technology has only limited impact on global car fleet or Aftermarket revenues potential in the short- and mid-term (20+ years lifecycle)
- ▶ Our best-selling product currently is our RepSet Dual Mass Flywheel for VW Golf produced in 2003-2008
- ▶ Short- and mid-term growth will come from increased need for repair/maintenance solutions due to more and ageing vehicles

Our markets continue to grow – Great potential in China

Vehicle population

Million units (PC/LCV)

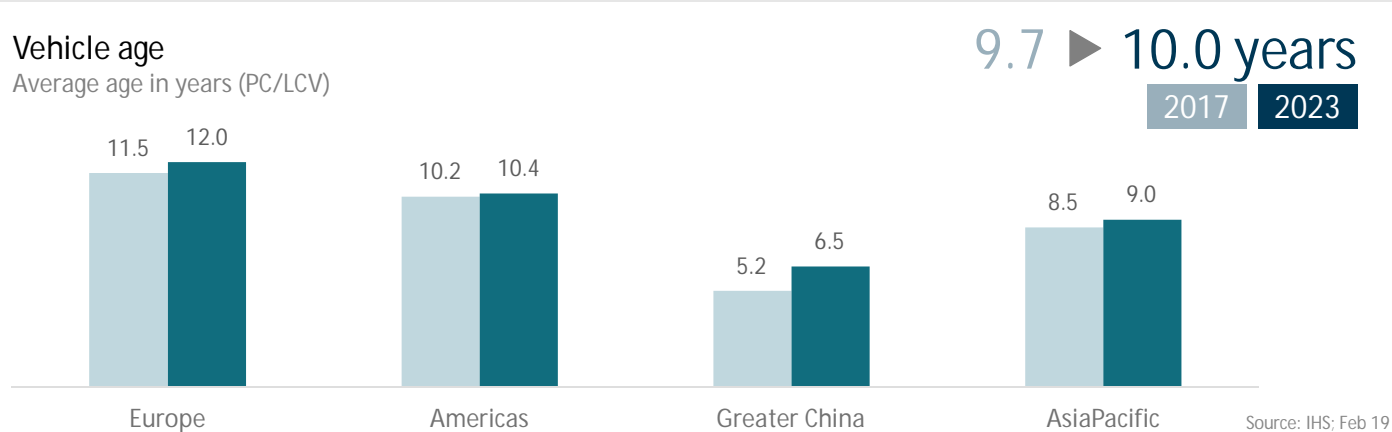


Key growth drivers

- Global vehicle fleet will grow at 3.2% CAGR 2017-2023
- Vehicle age will continue to grow, especially in China
- Total aftermarket revenues globally will grow from EUR 803 bn to EUR 1,196 bn (+3.1% CAGR 2017/2030)

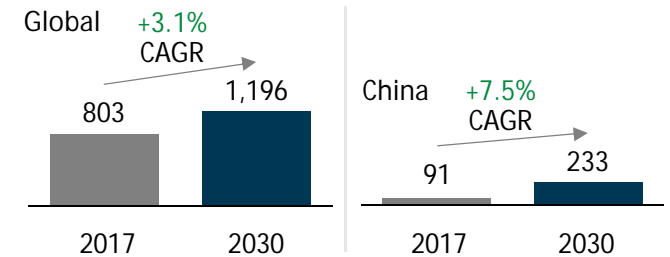
Vehicle age

Average age in years (PC/LCV)



Total aftermarket revenues

in EUR bn



Source: McKinsey "Ready for Inspection - the Automotive Aftermarket in 2030" - Jul 18

Growth drivers in the Independent Aftermarket – Components and Solutions

Components



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

Solutions



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

Outlook

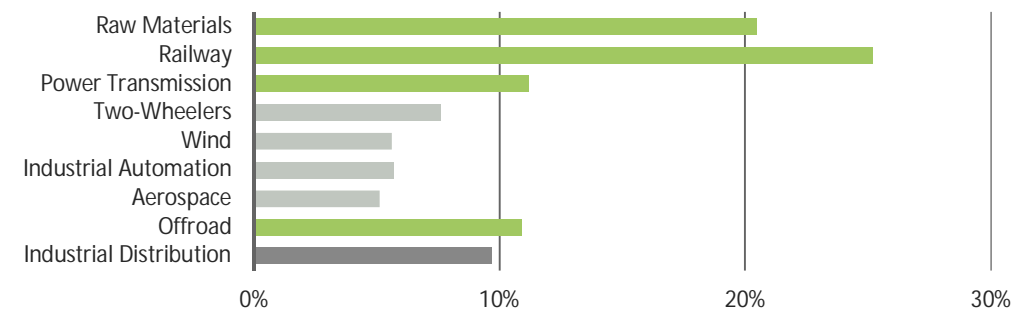
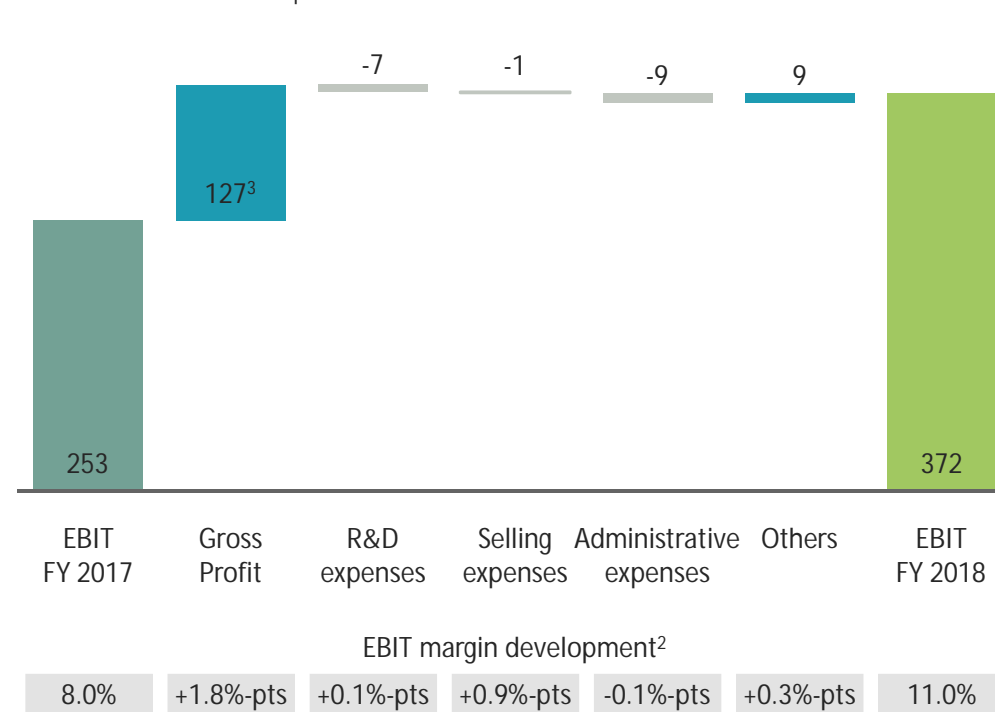


- ▶ Trends in OEM business fuel future Aftermarket potential
- ▶ Repair solutions will remain core growth driver going forward
- ▶ Additional aftermarket potential from intelligent repair solutions for E-axes and hybrid modules

Industrial – FY 2018 overview

Sales by region | y-o-y growth

	FY 2017	FY 2018	Δ^1
Europe	1,804	1,906	+7.3%
Americas	575	596	+9.7%
Greater China	472	575	+25.4%
Asia/Pacific	299	308	+5.6%
Total	3,150	3,385	+10.1%

Industrial sales growth by sector cluster 2018¹EBIT² 2017 vs. 2018 | in EUR mn

¹ FX-adjusted | ² Before special items | ³ Includes negative FX effects of EUR -42 mn

Industrial portfolio – Broad range of standard and customized products

Standard product business								
Ball Bearings	Cylindrical Roller Bearings	Spherical Roller Bearings	Tapered Roller Bearings	Needle Roller Bearings	Linear Technology	Plain bearings	Mechatronics	Systems
								
Ball bearing (DGBB)	Cylindrical roller bearing (CRB)	Spherical roller bearing (SRB)	Tapered roller bearing (TRB)	Needle roller bearing (NRB)	Linear guides	Plain bearing	VarioSense and SmartCheck	Housing
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

Portfolio evolution – From components to Industry 4.0

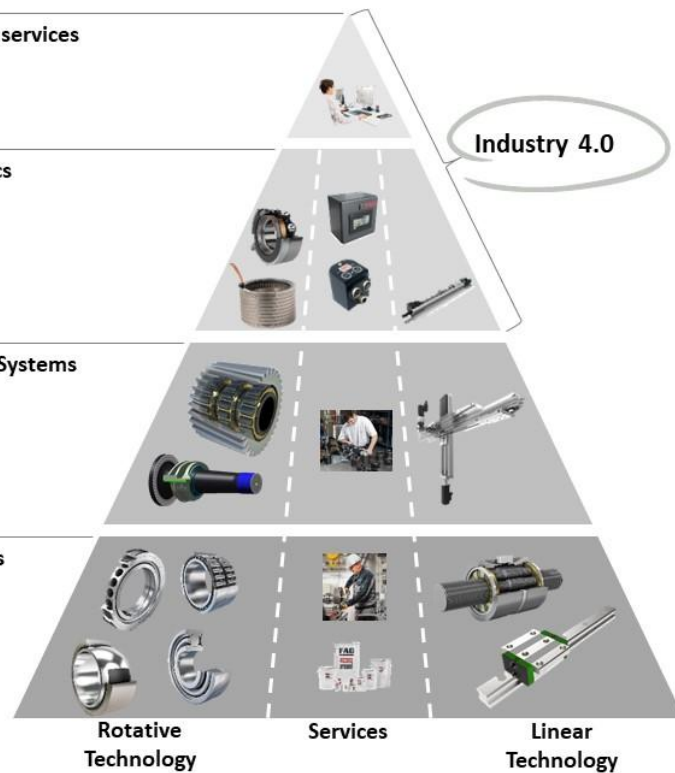
Portfolio

Industry 4.0 services

Mechatronics

Mechanical Systems

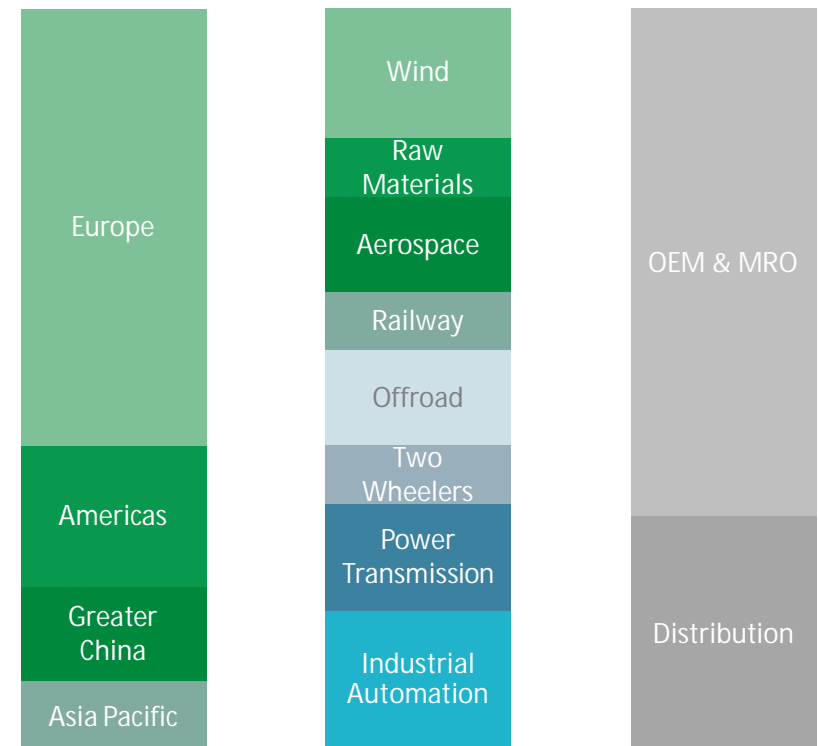
Components



Region

Sector split

Channel



Key figures by Group and division

Adjusted comparative
figures 2018

Group | in EUR mn

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Sales	3,551	3,642	3,521	3,527	3,622
<i>Sales Growth¹</i>	+3.9%	+7.9%	+3.7%	+0.3%	+0.4%
EBIT Reported	391	382	376	205	230
EBIT bsi	391	404	355	231	272
EBIT bsi margin	11.0%	11.1%	10.1%	6.5%	7.5%

Automotive Aftermarket | in EUR mn

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Sales	447	480	476	459	441
<i>Sales Growth¹</i>	-4.4%	+12.3%	-3.0%	+5.0%	-1.1%
EBIT Reported	81	96	88	76	64
EBIT bsi	81	96	85	76	64
EBIT bsi margin	18.1%	20.0%	17.9%	16.6%	14.4%

Automotive OEM | in EUR mn

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Sales	2,280	2,307	2,191	2,218	2,286
<i>Sales Growth¹</i>	+3.2%	+6.5%	+3.2%	-4.2%	-1.7%
EBIT Reported	218	193	181	70	59
EBIT bsi	218	203	168	84	113
EBIT bsi margin	9.6%	8.8%	7.7%	3.8%	5.0%

Industrial | in EUR mn

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Sales	824	855	854	850	895
<i>Sales Growth¹</i>	+10.8%	+9.3%	+9.4%	+11.0%	+6.9%
EBIT Reported	92	93	107	59	108
EBIT bsi	92	105	102	71	95
EBIT bsi margin	11.2%	12.3%	11.9%	8.4%	10.6%

¹ FX-adjusted

Automotive OEM Outperformance by quarters

FY 19 (YTD)
Outperformance: +5.0pp

Q1 19

	IHS ¹	Auto OEM ²	Outper- formance
World	-6.7%	-1.7%	+5.0pp
Americas	-2.7%	+12.4%	+15.1pp
Europe	-7.0%	-3.3%	+3.7pp
Greater China	-13.7%	-14.5%	-0.8pp
Asia/Pacific	-0.1%	+2.4%	+2.5pp

FY 18
Outperformance: +3.1pp

Q1 18

Q2 18

Q3 18

Q4 18

	IHS ¹	Auto OEM ²	Outper- formance		IHS ¹	Auto OEM ²	Outper- formance		IHS ¹	Auto OEM ²	Outper- formance		IHS ¹	Auto OEM ²	Outper- formance
World	-0.1%	+3.2%	+3.3pp		+4.7%	+6.5%	+1.8pp		-2.7%	+3.2%	+5.9pp		-5.6%	-4.2%	+1.4pp
Americas	-1.4%	+3.7%	+5.1pp		-0.7%	+3.7%	+4.4pp		+1.9%	+9.9%	+8.0pp		+1.0%	+5.1%	+4.1pp
Europe	+2.4%	+0.4%	-2.0pp		+6.6%	+4.6%	-2.0pp		-4.0%	+1.6%	+5.6pp		-6.7%	-2.7%	+4.0pp
Greater China	-1.6%	+12.4%	+14.0pp		+10.5%	+14.5%	+4.0pp		-4.5%	+2.5%	+7.0pp		-15.5%	-17.4%	-1.9pp
Asia/Pacific	-0.7%	+0.5%	+1.2pp		-0.4%	+7.6%	+8.0pp		-3.0%	-0.7%	+2.3pp		+8.0%	+2.1%	-5.9pp

¹ LVP Growth according to IHS Markit (April 2019) | ² FX-adjusted Sales Growth Automotive OEM division

Impact of IFRS 16 accounting standard

IFRS 16

- ▶ IFRS 16 – Leases is a new financial reporting standard for the accounting of lease agreements
- ▶ As of January 1st, 2019, Schaeffler has to capitalize all affected monthly lease payments
- ▶ Examples of relevant contracts are all rental agreements for buildings, lease agreements for cars, lease contracts for transportation equipment and other miscellaneous equipment

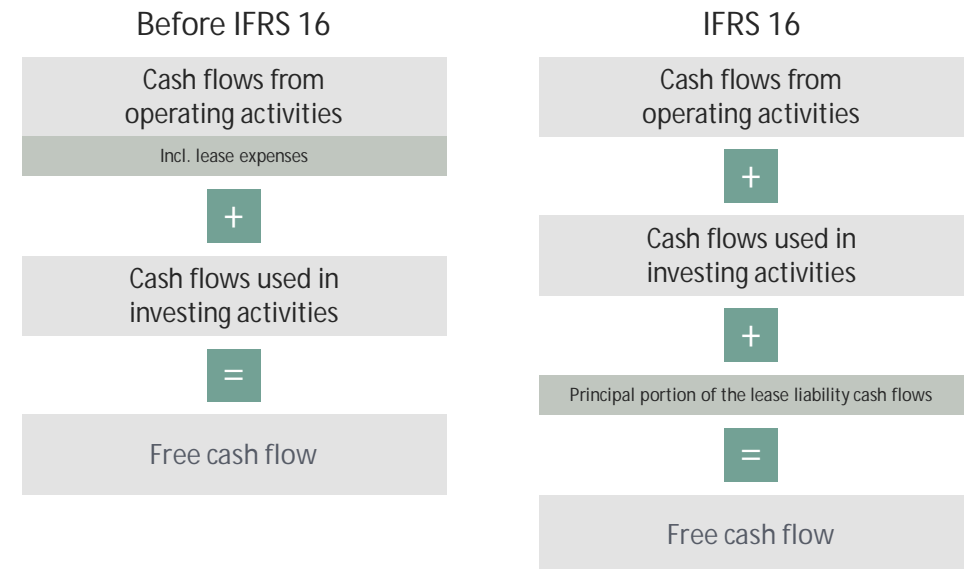
Implications for Schaeffler

- ▶ Visible impact on the balance sheet due to the initial recognition of the right of use assets and lease liabilities
- ▶ Lease expenses will be shown as depreciation and interest. Overall very limited impact on income statement
- ▶ Visible impact on the cash flow statement due to the shift of the lease expenses from the cash flows of operating activities to the cash flows used in financing activities (IAS 7, IFRS 16)
- ▶ No impact on Net debt



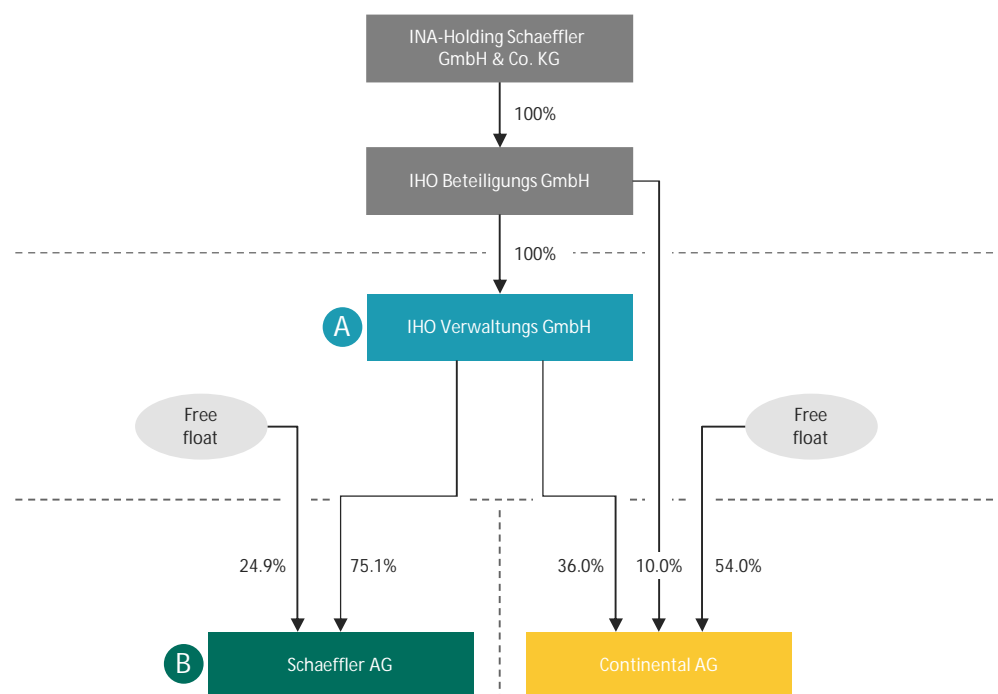
Definition of Free cash flow (FCF) after IFRS 16

- ▶ Modification of FCF definition to keep comparability to FCF used under IFRS 15 and before
- ▶ New definition includes principal portion of the lease liabilities from Cash flows now used in financing activities



Overview Corporate and Financing Structure

Corporate structure (simplified) | as of March 31, 2019



¹ EUR/USD = 1.1235 | ² After redemption of called bonds: 2.02%; incl. commitment and utilization fees

³ Bonds issued by Schaeffler Finance B.V., guaranteed by Schaeffler AG

⁴ Bonds have been called for redemption and will be redeemed in full on 15th May 2019

Financing structure | as of March 31, 2019

A IHO Verwaltungs GmbH

	Debt instrument	Nominal (USD mn)	Nominal (EUR ¹ mn)	Interest	Maturity	Rating (Fitch/Moody's/S&P)
Loans	Term loan (EUR)	-	750	E+2.25%	Dec-22	Not rated
	RCF (EUR 250 mn)	-	8	E+2.25%	Dec-22	Not rated
Bonds	2.75% SSNs 2021 (EUR)	-	750	2.75%	Sep-21	BB+/Ba1/BB+
	4.125% SSNs 2021 (USD)	500	437	4.125%	Sep-21	BB+/Ba1/BB+
	3.25% SSNs 2023 (EUR)	-	750	3.25%	Sep-23	BB+/Ba1/BB+
	4.50% SSNs 2023 (USD)	500	437	4.50%	Sep-23	BB+/Ba1/BB+
	3.75% SSNs 2026 (EUR)	-	750	3.75%	Sep-26	BB+/Ba1/BB+
	4.75% SSNs 2026 (USD)	500	437	4.75%	Sep-26	BB+/Ba1/BB+
Total IHO Verwaltungs GmbH			4,318	Ø 3.49% ²		

B Schaeffler AG

	Debt instrument	Nominal (USD mn)	Nominal (EUR ¹ mn)	Interest	Maturity	Rating (Fitch/Moody's/S&P)
Loans	Term loan (EUR)	-	500	E+0.80%	Sep-23	Not rated
	RCF (EUR 1,500 mn)	-	-	E+0.50%	Sep-23	Not rated
	Investment Facility (EUR 250 mn)	-	184	E+1.00%	Dec-22	Not rated
Bonds	2.50% SNs 2020 (EUR) - SFBV ³	-	400	2.50%	May-20 ⁴	BBB-/Baa3/BBB-
	3.50% SNs 2022 (EUR) - SFBV ³	-	500	3.50%	May-22 ⁴	BBB-/Baa3/BBB-
	4.75% SNs 2023 (USD) - SFBV ³	600	534	4.75%	May-23 ⁴	BBB-/Baa3/BBB-
	1.125% SNs 2022 (EUR)	-	750	1.125%	Mar-22	BBB-/Baa3/BBB-
	1.875% SNs 2024 (EUR)	-	800	1.875%	Mar-24	BBB-/Baa3/BBB-
	3.25% SNs 2025 (EUR) - SFBV ³	-	600	3.25%	May-25	BBB-/Baa3/BBB-
	2.875% SNs 2027 (EUR)	-	650	2.875%	Mar-27	BBB-/Baa3/BBB-
Total Schaeffler Group			4,918	Ø 2.50% ²		