

Schaeffler AG

Q2 2019 Pre-Release and FY 2019 Guidance Adjustment

July 29, 2019
Herzogenaurach

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Agenda

- 1 Overview
- 2 Preliminary Financial Results Q2 2019
- 3 Guidance FY 2019 Adjustment

Schaeffler AG Guidance adjustment

Schaeffler Financial Calendar



Rationale for today's press release

- ▶ FY 2019 guidance in March based on assumption for global passenger car production¹ decline of 1% for FY 2019
- ▶ As of today expectation of market decline of **4%** for FY 2019
- ▶ Current production growth estimate triggers adjustment for Group and Automotive OEM division Guidance
- ▶ Automotive Aftermarket market assumption unchanged. However, due to lower demand from certain customers, sales growth guidance has been adjusted downwards
- ▶ Industrial market assumption unchanged. Thanks to stronger than expected demand outlook in some sector clusters, sales growth guidance has been adjusted upwards

¹ Light vehicle production growth based on IHS Markit and own estimates

**Q2 2019 supported by stronger Industrial performance –
Tough market environment in automotive business**

Group	Q2 2019	H1 2019
	Sales growth¹ Sales in EUR	-2.0% 3,604 mn
EBIT margin² EBIT in EUR	7.9% 284 mn	7.7% 556 mn
Free Cash Flow³ (in EUR)	6 mn	-229 mn
Capex-to-sales ratio	6.1%	8.2%

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

Automotive OEM		Automotive Aftermarket		Industrial	
Q2 19	H1 19	Q2 19	H1 19	Q2 19	H1 19
-4.2% 2,229 mn	-2.9% 4,514 mn	-3.6% 465 mn	-2.4% 905 mn	+5.0% 911 mn	+5.9% 1,806 mn
4.6% 103 mn	4.8% 216 mn	15.7% 73 mn	15.1% 136 mn	11.9% 108 mn	11.2% 203 mn

Schaeffler Group Q2 2019 – Highlights and lowlights



Automotive OEM: 330 bps LVP¹ Q2 outperformance driven by Americas and Greater China
E-mobility Business Division grew more than 35% in Q2



Industrial division (Q2'19 +5.0%²; H1'19 +5.9%²) with strong growth, driven by double digit growth in Greater China as well as Wind and Railway sector clusters



Strong order Intake in Automotive OEM: Book-to-Bill ratio of 1.8x, EUR 1.1 bn E-Mobility order (E-Motor)



Group Capex to Sales ratio down to 6.1% in Q2, following stricter Capex discipline

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



Continued weakness of Automotive OEM business both in Greater China (-10.7%²) and Europe (-6.8%²)



Automotive Aftermarket sales impacted by weak OES business in Europe and ongoing destocking



Group gross margin mainly impacted by lower volumes in division Automotive OEM



Flexing of cost base in European Automotive factories to be intensified

Automotive OEM – Adapting to a more complex environment



Key role of suppliers in technological paradigm change

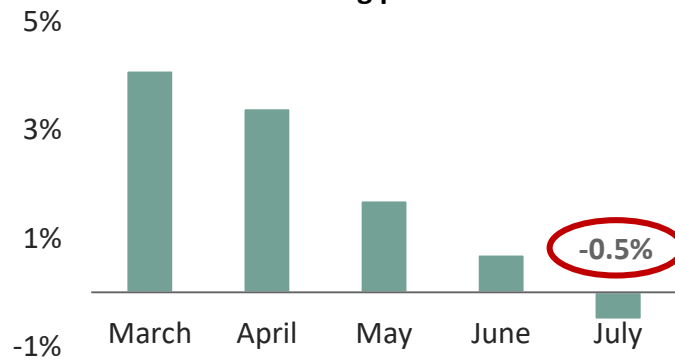
- Short- and medium-term CO₂ reduction targets (2020, 2030) including new emission standards
- Battery or hydrogen driven electric vehicles
- Autonomous and connected driving
- CO₂ “neutral” mobility in the long-term

LVP: Light vehicle production

Market environment

- Strong decline in Auto production (-6.7 % in H1 2019)
- Slowdown in China
- Trade tensions between major economic blocks (EU, USA, China)
- Slower economic growth and lower GDP from 2019 onwards

Change of IHS market growth estimates for LVP H2 2019 during past 5 months



Schaeffler Approach

- Consistent portfolio transformation to serve vision Powertrain (30-40-30 scenario) and Chassis Mechatronics
- Efficiency and Portfolio optimization program RACE initiated
- R&D prioritisation with ongoing shift towards strategic growth areas
- Strong capital discipline and focus on Free Cash Flow generation

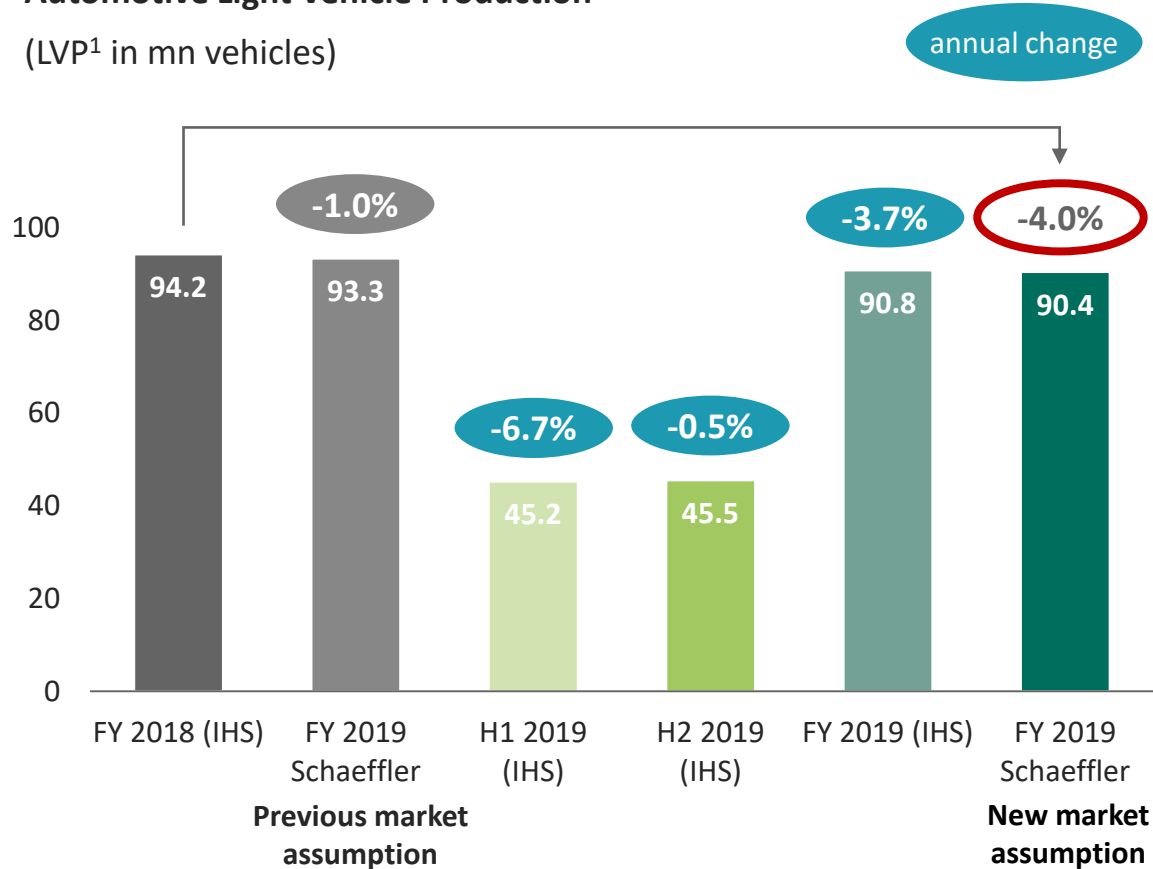


Adapting to a more complex environment

Automotive OEM – FY 2019 new market assumption -4%

Automotive Light Vehicle Production

(LVP¹ in mn vehicles)



¹ Light vehicle production growth based IHS Markit as of July and own estimates

Implications for Automotive OEM Division

- New market assumption of minus 4% no longer implying a rebound in H2
- Confirmation of outperformance goal in Automotive OEM of up to 400 bps (H1 2019: 380 bps)
- Execution of short term cost saving measures
- Stringent execution of portfolio optimization and cost reduction program

FY 2019 Guidance Adjustment

Group Guidance

	Previous Guidance FY 2019	New Guidance FY 2019
Sales growth ¹	1 - 3%	-1 - +1%
EBIT margin ²	8 - 9%	7 - 8%
Free Cash Flow ³	~ EUR 400 mn	EUR 350 - 400 mn

¹ FX-adjusted | ² Before special items

³ Before cash in- and outflows for M&A activities

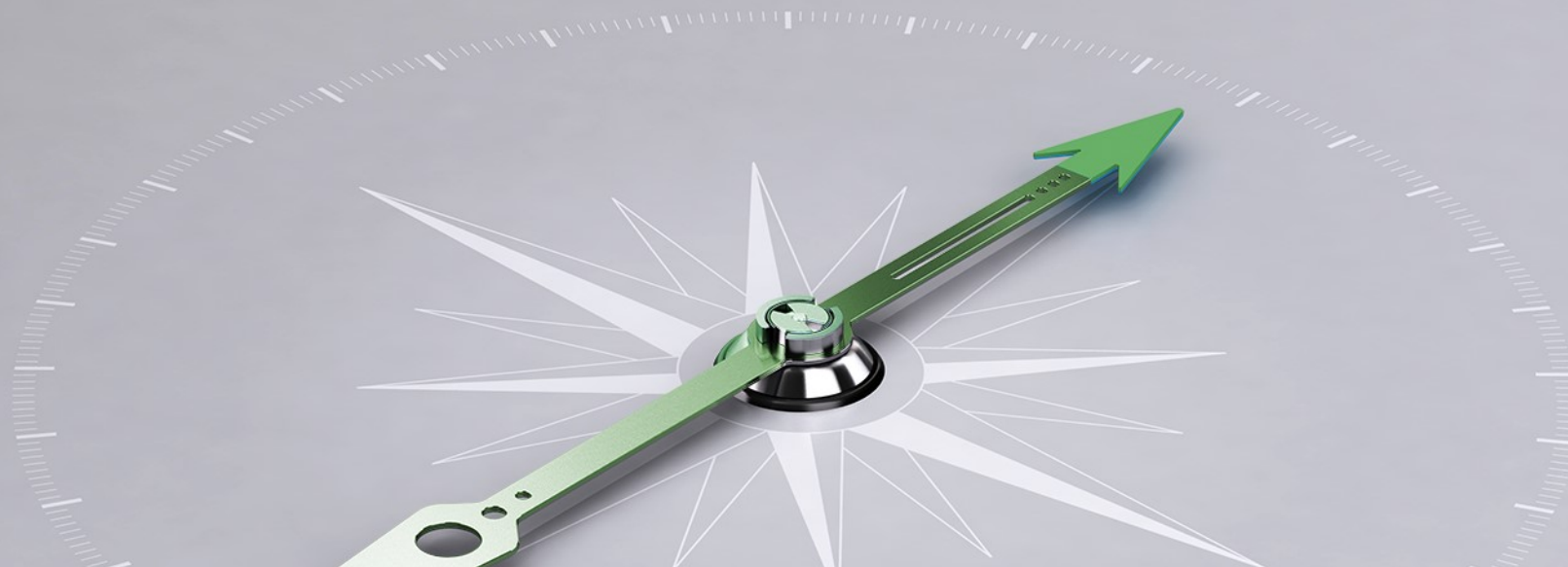
Divisional Guidance

Automotive OEM		Automotive Aftermarket		Industrial	
Previous	New	Previous	New	Previous	New
1 - 3%	-2 - 0%	1 - 3%	-2 - 0%	1 - 3%	2 - 4%
6 - 7%	5 - 6%	15 - 16%	15 - 16%	10 - 11%	10 - 11%

Market assumptions 2019

- ▶ Automotive OEM: Decline of global passenger car production by around -4% (Previously⁴: -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%

⁴ As of March 6th, 2019



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