

# Results Q3 and 9M 2019 Schaeffler AG

Conference Call  
November 5, 2019  
Herzogenaurach

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## Agenda

- 1 Overview
- 2 Business Highlights Q3 and 9M 2019
- 3 Financial Results Q3 and 9M 2019
- 4 Outlook

## Market environment remains challenging – Q3 2019 with sequentially improved earnings quality

### Key messages Q3 2019

- 1 Group sales growth<sup>1</sup> Q3'19 of +1.2% (9M'19: -0.1%) with LVP<sup>4</sup> outperformance of 460 bps in Automotive OEM, slowdown of growth in Industrial
- 2 Gross margin at 25.4% (Q3'18: 26.5%), down yoy in both Automotive divisions, up in Industrial
- 3 EBIT margin<sup>2</sup> at 9.1% (Q3'18: 10.1%), strong sequential improvement driven by Automotive OEM
- 4 Free Cash Flow<sup>3</sup> up by 78% yoy at EUR 362 mn (Q3'18: EUR 203 mn) supported by lower Capex and effective inventory management
- 5 Headcount further reduced to 89,036 at the end of Q3 (H1: 90,492; FY 18: 92,478) – Self-help measures gaining further traction
- 6 Despite reduced assumption for LVP<sup>4</sup> of -5% to -6% (Previously<sup>5</sup>: -4%), Guidance 2019 confirmed on Group and divisional level

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

<sup>4</sup> Light Vehicle Production | <sup>5</sup> As of July 29, 2019

Sales growth<sup>1</sup> Q3

**+1.2%**

EUR 3,613 mn

Gross margin Q3

**25.4%**

EUR 917 mn

EBIT margin<sup>2</sup> Q3

**9.1%**

EUR 327 mn

Free Cash Flow<sup>3</sup> Q3

**EUR 362 mn**

## Schaeffler Group Q3 2019 – Highlights and lowlights



Automotive OEM: 460 bps LVP<sup>1</sup> Q3 outperformance driven by Americas and especially Greater China; E-Mobility Business Division grew more than 40%<sup>2</sup> in Q3

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Automotive Aftermarket: sequentially improved earnings quality driven by good growth in Independent Aftermarket (+3.5%<sup>2</sup> in Q3)

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Self-help measures gained further traction, in October additional voluntary severance scheme launched in Germany

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Group Capex to Sales ratio down to 6.3% in Q3, resulting in strong cash generation

<sup>1</sup> Light Vehicle Production | <sup>2</sup> FX-adjusted



Continued topline weakness of Automotive OEM business in Europe (-5.6%<sup>2</sup>)

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Industrial division impacted by lower sales in Europe (-5.0%<sup>2</sup> in Q3) due to weaker macro environment and double-digit declines in several cyclical Sector Clusters

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Gross Margin in Automotive OEM still subdued, flexing of costs in German and other European Automotive plants intensified

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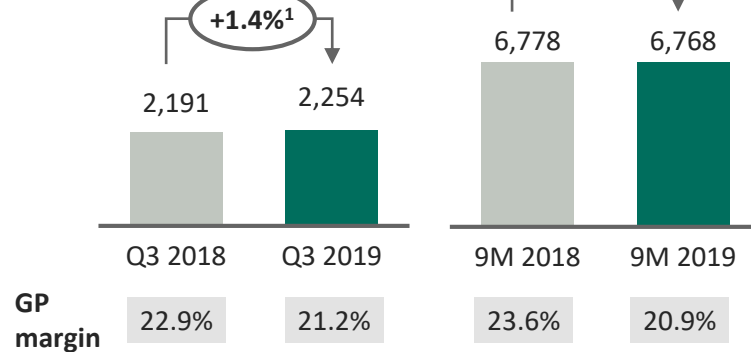


Still high admin costs driven by costs related to personnel and Agenda 4 plus One, especially IT

## Automotive OEM – Earnings quality improving as flexing of costs progresses

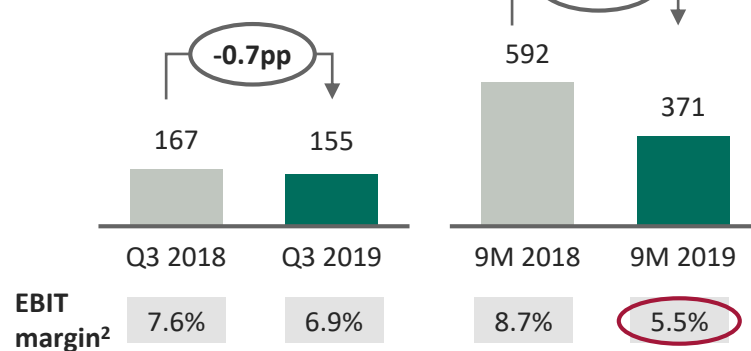
### Sales

in EUR mn



### EBIT²

in EUR mn



Q3 Outperformance of LVP³ by 460 bps, driven by ramp-ups both in Americas and in Greater China



Business Division E-Mobility up 43.9%¹ in Q3 with ramp ups in CVT transmissions and wet double clutches driving the growth



Headcount further decreased in Q3, R&D costs reduced following stronger project prioritization



Continued weakness in Europe in Q3 (-5.6%¹), in line with our expectations



Gross Margin in Automotive OEM still subdued, but with moderate improvement versus Q2 as flexing of costs in German and other European Automotive plants was intensified



Admin cost increase related to Agenda 4 plus One initiatives, especially IT

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

## Automotive OEM – New Innovations at IAA and Tokyo Motor Show

### IAA in Frankfurt



### Tokyo Motor Show



### Innovation Highlights

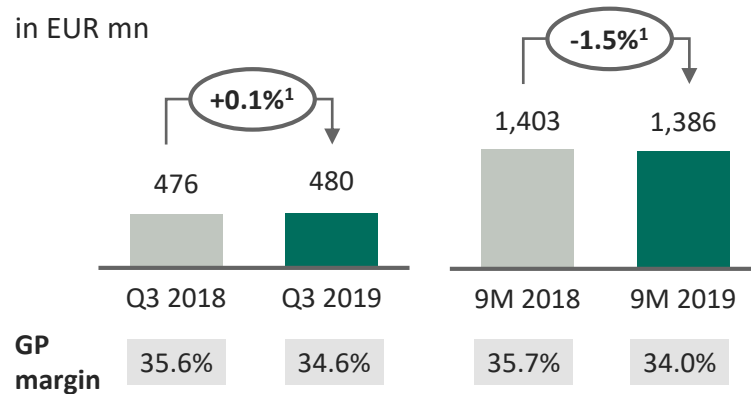
#### Showcasing solutions for powertrain and chassis concepts

- ▶ Presentation of latest electric motor models with different winding technologies
- ▶ Autonomous driving Schaeffler Mover with 90-degree corner module and wheel hub motor
- ▶ Exhibit to show drive-by-wire solution with Space Drive II technology
- ▶ Announcement to supply key components like bipolar plates for fuel cells

## Automotive Aftermarket – Stabilization in Europe drives sequential earnings improvement

### Sales

in EUR mn

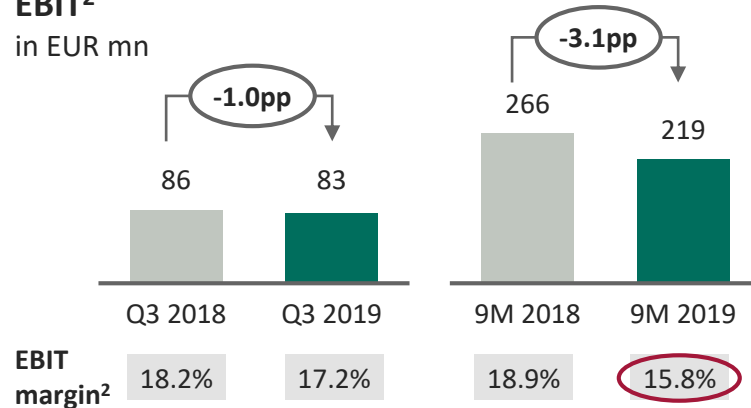


GP margin

35.6%	34.6%	35.7%	34.0%
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### EBIT<sup>2</sup>

in EUR mn

EBIT margin<sup>2</sup>

18.2%	17.2%	18.9%	15.8%
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Independent Aftermarket +3.5%<sup>1</sup> sales growth in Q3, driven by stabilization in Europe



Price increases on selected parts of the portfolio continued; positive sales mix effect driven by growth in the Independent Aftermarket channel



Destocking by OES customers negatively impacted sales in Europe



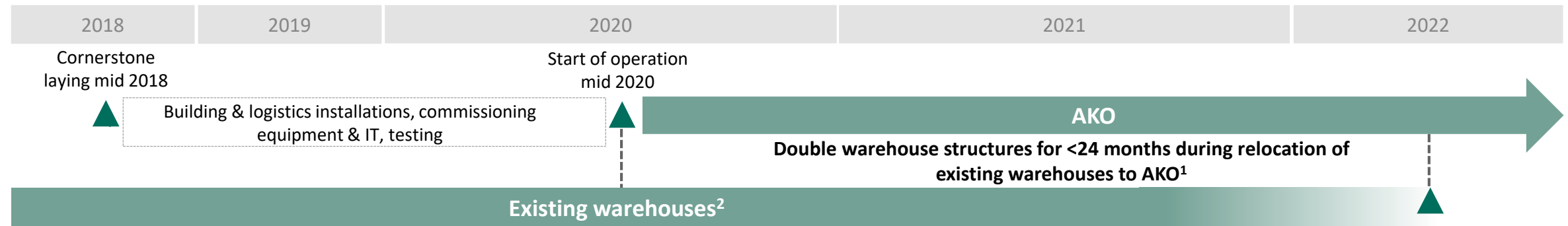
Increased product costs in comparison to the previous year

<sup>1</sup> FX-adjusted | <sup>2</sup> Before special items

## Automotive Aftermarket – Focus on Europe operations

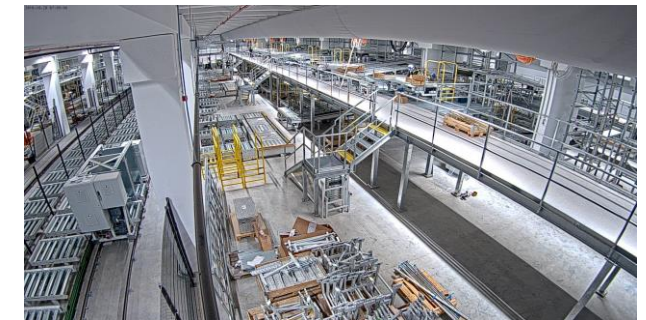
### Aftermarket Kitting Operation – Phasing and impacts

#### AKO construction and relocation timeline



#### Key AKO benefits

- ▶ Highly efficient processes through new IT solutions and semi-automated kitting operations
- ▶ Increased delivery service level to support the overall sales performance
- ▶ Efficient inventory allocation to improve Working Capital
- ▶ Reduction of fixed costs and use of economies of scale by centralising 7 warehouses into one AKO
- ▶ High flexibility for new and changing customer requirements, efficient scaling of infrastructure

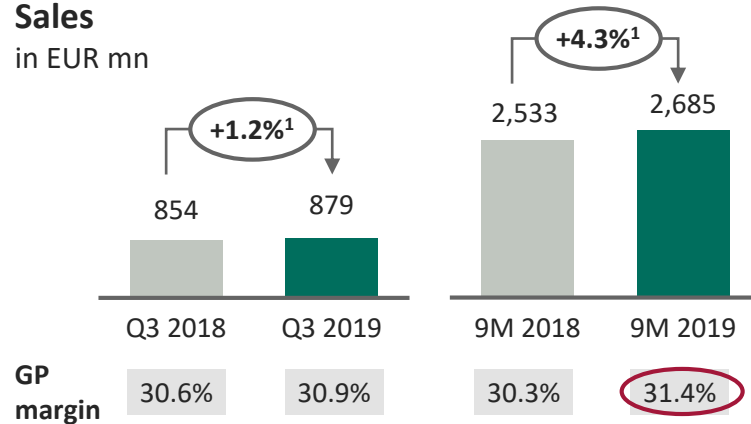


<sup>1</sup> Timeline does not contain information regarding deconstruction/dismantling of warehouses | <sup>2</sup> Alzenau, Fulda-Petersberg, Hamburg Fiege, Hamburg Ruville, Karlstein, Langen, Wissembourg

## Industrial – Decline in cyclical sectors, strong performance in Greater China

### Sales

in EUR mn



GP margin

30.6%

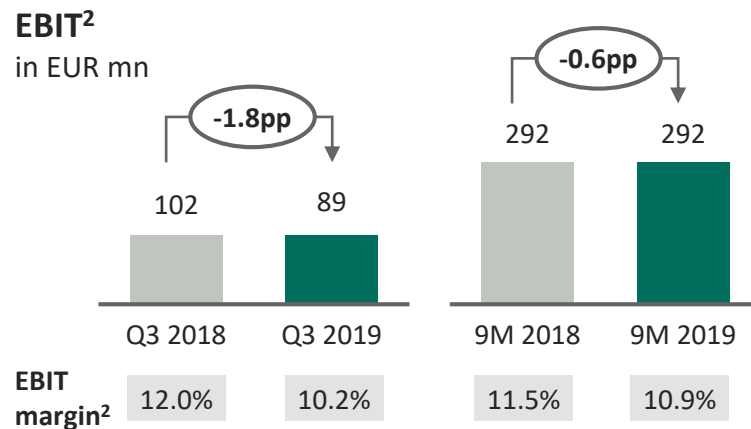
30.9%

30.3%

31.4%

### EBIT²

in EUR mn



EBIT margin²

12.0%

10.2%

11.5%

10.9%



Continued strong growth in Wind and Railway Sector Clusters in Q3



Despite overall lower growth momentum, further expansion of Gross Profit margin



In line with expectations, decline in more cyclical Sector Clusters Industrial Automation, Offroad and Two-Wheelers



Lower EBIT margin in Q3 due to higher R&D expenses (Industry 4.0 and Robotics) and non-adjusted one time expenses for FIT program

¹ FX-adjusted | ² Before special items

## Industrial – Business and product portfolio expansion to support growth in a weakening market environment

### Growth with customized bearings

#### Largest-ever spherical plain bearing produced for marine application



- ▶ The bearing will be used on a cutter suction dredger, a ship which is used near shores for cutting and fragmenting soils and rock. The material is conveyed through a floating pipeline to a deposit area
- ▶ The spherical plain bearing is mounted on the hull and supports the rotary motions that take place between the hull and the pipeline

### Growth with digitally enabled services

#### Increased business with Condition Monitoring services for marine aftersales



- ▶ Remote monitoring by service experts combined with routine on-site inspections
- ▶ Customers stay informed on the status of the assets' operating conditions. This enables customers to precisely schedule maintenance in advance – Preventing downtime and saving money

## Capital allocation – Well on track to reach 2019 goal of Capex ratio below 8%

### Investment<sup>1</sup> allocation | in EUR mn

	FY 17	FY 18	Q3 18	Q3 19	9M 19
<b>Automotive OEM</b>	1,006	970	259	179	578
<b>Automotive Aftermarket</b>	33	64	-4	-1	37
<b>Industrial</b>	248	241	33	52	117
<b>Schaeffler Group</b>	<b>1,287</b>	<b>1,275</b>	<b>288</b>	<b>231</b>	<b>732</b>
<b>Capex</b>	<b>1.273</b>	<b>1.232</b>	<b>262</b>	<b>229</b>	<b>823</b>
<b>Capex ratio<sup>2</sup></b>	<b>9.1%</b>	<b>8.7%</b>	<b>7.4%</b>	<b>6.3%</b>	<b>7.6%</b>

<sup>1</sup> Additions to intangible assets and property, plant and equipment | <sup>2</sup> Capex in % of sales

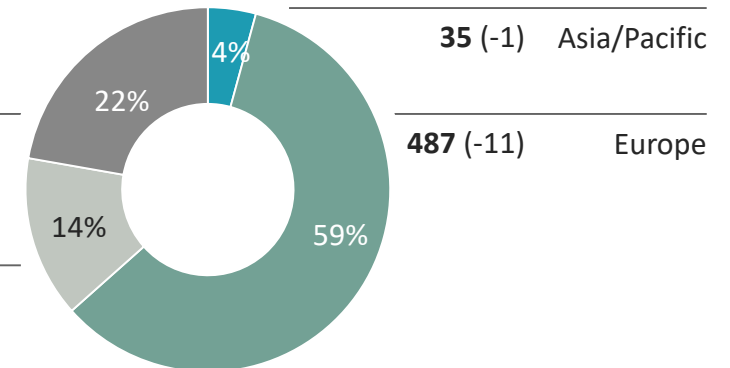
<sup>3</sup> Additions to intangible assets and property, plant and equipment divided by D&A

### Key aspects

- ▶ Measures to improve capital efficiency in place; Q3 Capex ratio<sup>2</sup> at 6.3% shows clear Capex prioritization
- ▶ Clear focus to deliver an average Reinvestment rate<sup>3</sup> of ~ 1; Reinvestment rate<sup>3</sup> in Q3 reached 0.94 (9M: 1.01)
- ▶ Full focus on spending discipline will continue in Q4 to meet goal of Capex ratio<sup>2</sup> below 8% (Mid-term target: 6-8%)

### Capex by region 9M 2019 in EUR mn (yoy change)

Greater China	183 (-28)
Americas	118 (+6)



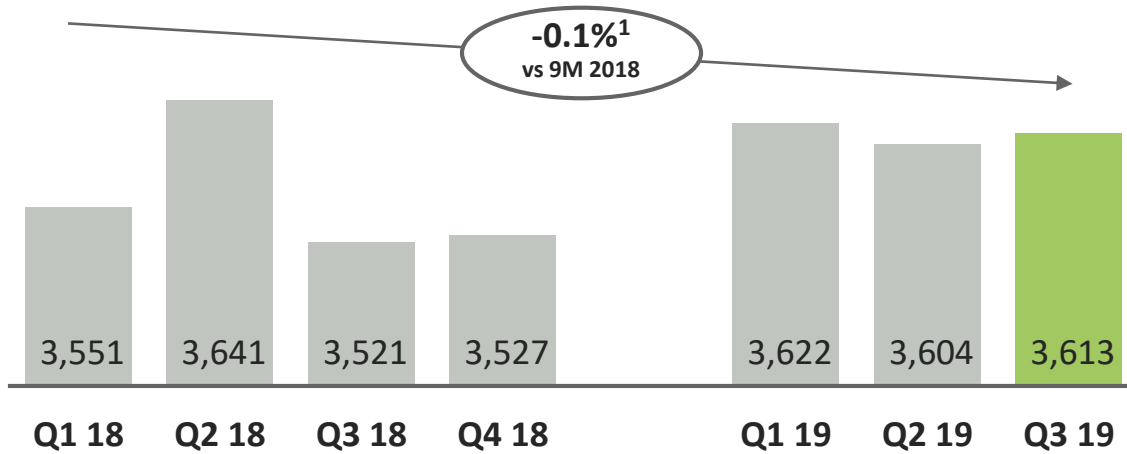
## Key figures Q3 and 9M 2019

in EUR mn		Q3 2018	Q3 2019	Q3 2019 vs. Q3 2018	9M 2018	9M 2019	9M 2019 vs. 9M 2018
<b>Sales</b>	1	3,521	3,613	+2.6% +1.2% <sup>1</sup>	10,714	10,839	+1.2% -0.1% <sup>1</sup>
<b>Gross Profit</b>	2	934	917	-17 mn	2,867	2,729	-138 mn
<b>Gross Margin</b>		26.5%	25.4%	-1.1pp	26.8%	25.2%	-1.6pp
<b>EBIT<sup>2</sup></b>	3	356	327	-29 mn	1,150	883	-267 mn
<b>EBIT Margin<sup>2</sup></b>		10.1%	9.1%	-1.0pp	10.7%	8.1%	-2.6pp
<b>Net income<sup>3</sup></b>	4	256	212	-44 mn	762	485	-277 mn
<b>EPS<sup>4</sup> (in EUR)</b>		0.38	0.31	-0.07	1.15	0.73	-0.42
<b>Schaeffler Value Added<sup>5</sup></b>	4	722	247	-475 mn	722	247	-475mn
<b>ROCE<sup>6</sup></b>		18.8%	12.9%	-5.9pp	18.8%	12.9%	-5.9pp
<b>Free Cash Flow<sup>7</sup></b>	5	203	362	+159 mn	127	133	+6 mn
<b>Capex</b>	6	262	229	-33 mn	857	823	-34 mn
<b>Net financial debt</b>	7	2,645	2,842	+197 mn	2,645	2,842	+197 mn
<b>Gearing ratio<sup>8</sup></b>		89.7%	103.1%	+13.4pp	89.7%	103.1%	+13.4pp
<b>Headcount</b>					92,836	89,036	-4.1%

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

# **1 Sales growth – Strong sales development in Americas and China, weak in Europe**

Sales | in EUR mn



10,714

10,839

Sales growth

Reported

-0.6%	+4.9%	+2.5%	-0.4%	+2.0%	-1.0%	+2.6%
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FX-adjusted

+3.9%	+7.9%	+3.7%	+0.3%	+0.4%	-2.0%	<b>+1.2%</b>
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<sup>1</sup> FX-adjusted

## Key aspects Q3

- ▶ Europe: negative sales development of Automotive OEM (-5.6%<sup>1</sup>) continued, turning negative in Q3 for the Industrial division (-5.0%<sup>1</sup>)
- ▶ China: strong sales development across all divisions: Automotive OEM +7.1%<sup>1</sup>, Automotive Aftermarket +15.2%<sup>1</sup> and Industrial +24.8%<sup>1</sup>
- ▶ Americas: good growth, strong performance of Automotive OEM (+8.7%<sup>1</sup>)

## Sales by region Q3 2019

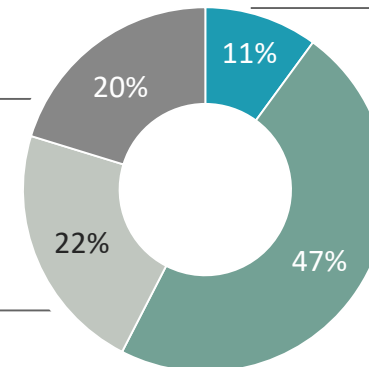
yoy growth<sup>1</sup>

Greater China **+11.5%**

Americas **+5.8%**

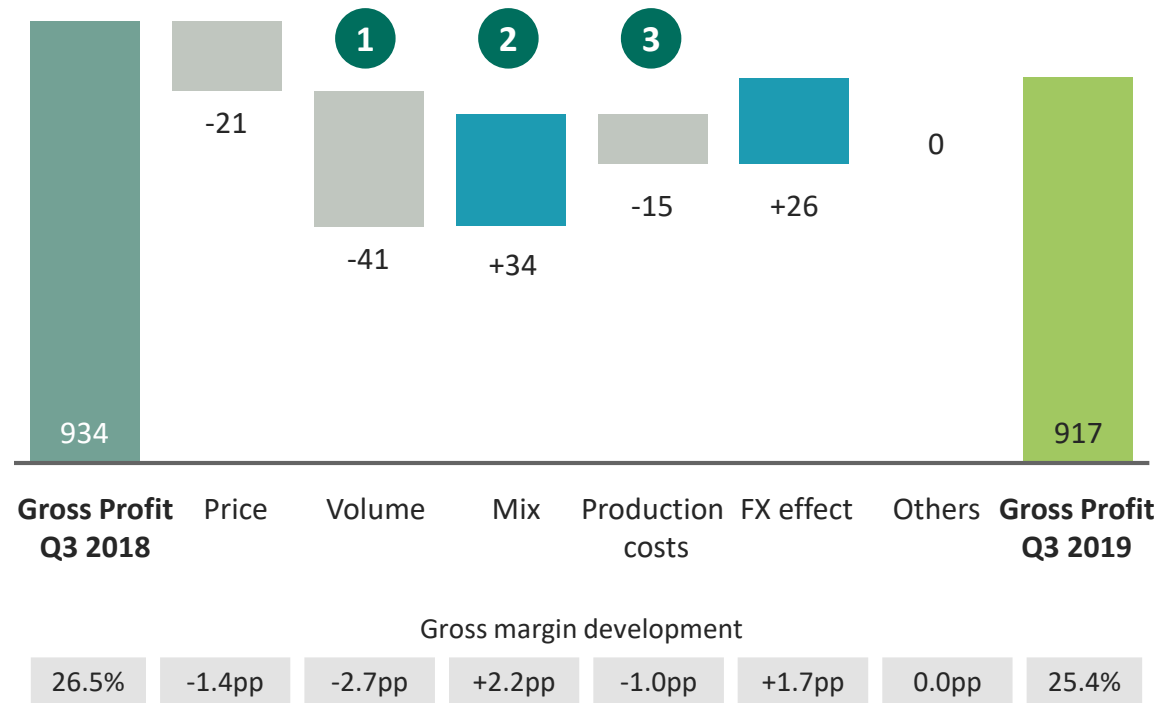
**+0.3%** Asia/Pacific

**-4.2%** Europe



## 2 Gross Profit – Negative volume effect in Europe partly offset by improved mix

Gross Profit Q3 2018 vs. Q3 2019 | in EUR mn



### Key aspects Q3

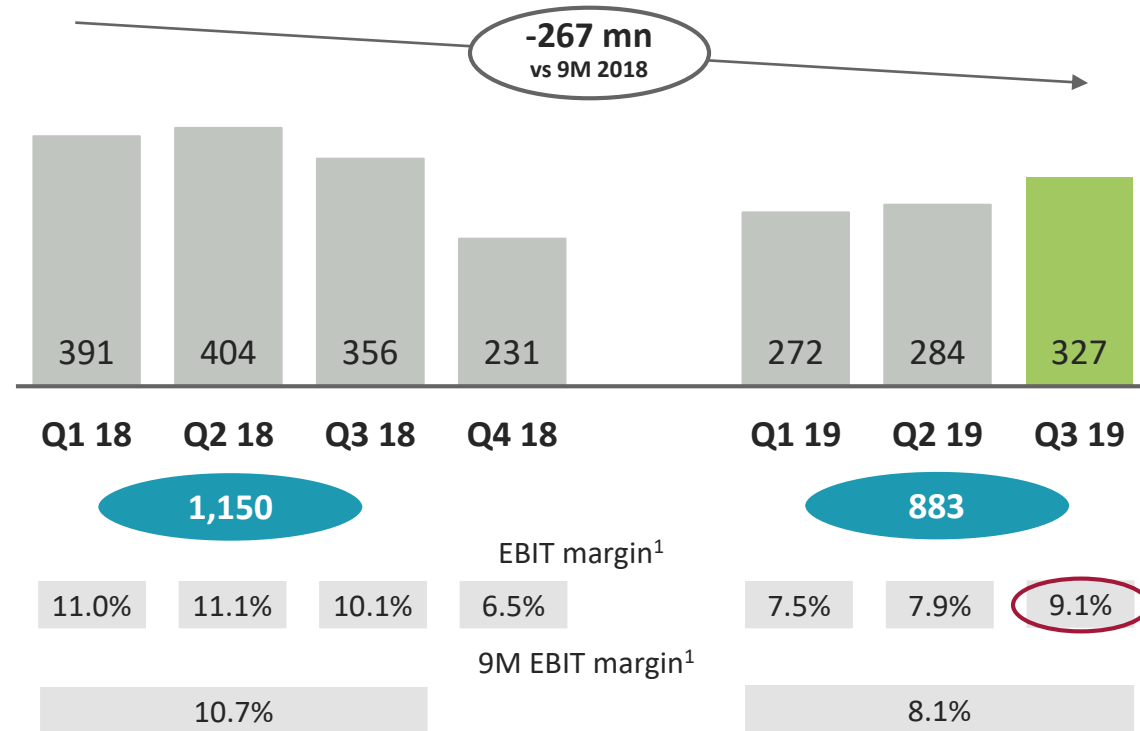
- 1 Negative volume effect related to Auto OEM in Europe
- 2 Positive Mix driven by lower ramp-up costs yoy in Auto OEM
- 3 Higher production costs related to high personnel costs in Industrial against the background of reduced output; Auto OEM with positive deviation due to consequent flexing of costs

### Gross Margin

in % of sales	Q3 18	Q3 19	Q3 19 vs. Q3 18	9M 18	9M 19	9M 19 vs. 9M 18
Auto OEM	22.9%	21.2%	-1.7pp	23.6%	20.9%	-2.7pp
Aftermarket	35.6%	34.6%	-1.0pp	35.7%	34.0%	-1.7pp
Industrial	30.6%	30.9%	+0.3pp	30.3%	31.4%	+1.1pp
Group	26.5%	25.4%	-1.1pp	26.8%	25.2%	-1.6pp

### 3 EBIT margin<sup>1</sup> – Sequential improvement in Automotive divisions, lower for Industrial

EBIT<sup>1</sup> | in EUR mn



<sup>1</sup> Before special items

#### Key aspects Q3

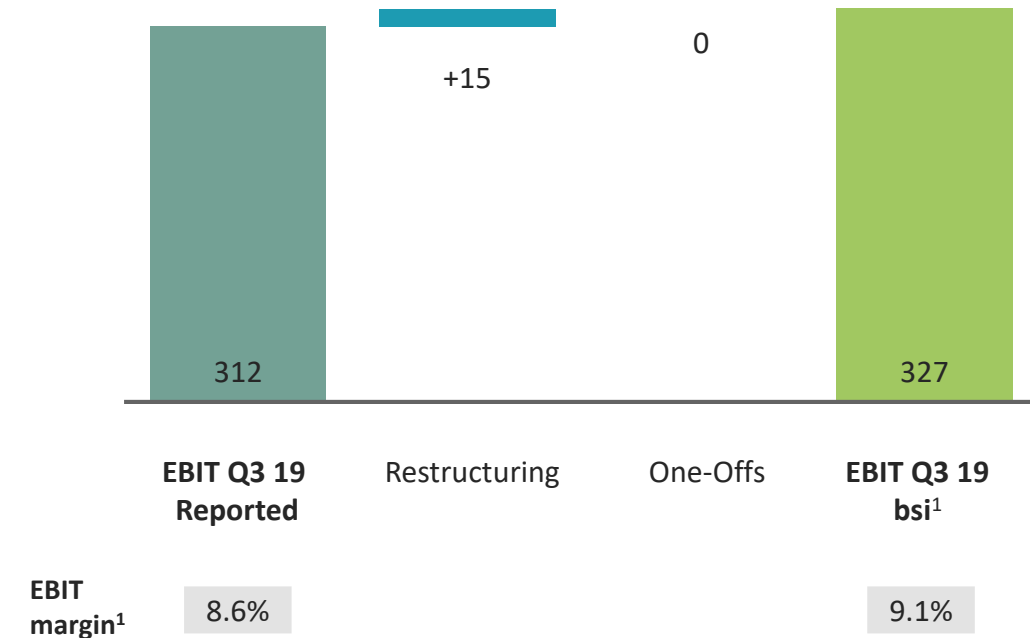
- ▶ Automotive OEM EBIT margin with clear sequential improvement, driven by strong growth in Americas and China as well as flexing of costs
- ▶ Automotive Aftermarket EBIT margin sequentially improved on stabilization of volumes and better cost control
- ▶ Industrial EBIT margin weaker in Q3 due to slower growth momentum, higher R&D and Admin expenses

#### EBIT margin<sup>1</sup>

	Q3 18	Q3 19	Q3 19 vs. Q3 18	9M 18	9M 19	9M 19 vs. 9M 18
Auto OEM	7.6%	6.9%	-0.7pp	8.7%	5.5%	-3.2pp
Aftermarket	18.2%	17.2%	-1.0pp	18.9%	15.8%	-3.1pp
Industrial	12.0%	10.2%	-1.8pp	11.5%	10.9%	-0.6pp
Group	10.1%	9.1%	-1.0pp	10.7%	8.1%	-2.6pp

### 3 EBIT Reported vs. EBIT before special items – Overview Q3 2019

#### EBIT Reported vs. EBIT bsi<sup>1</sup> Q3 2019 | in EUR mn



<sup>1</sup> Before special items

#### Key aspects Q3

- ▶ From Q3 onwards we will provide you the Restructuring and one-off details for the special items
- ▶ Restructuring includes EUR 10 mn for Program RACE (YTD: EUR 82 mn) and EUR 5 mn for UK reorganization launched in 2018
- ▶ No one-offs in Q3 (H1 includes a EUR 13 mn positive effect from a refund of a penalty paid in 2015)

#### Special items by division | in EUR mn

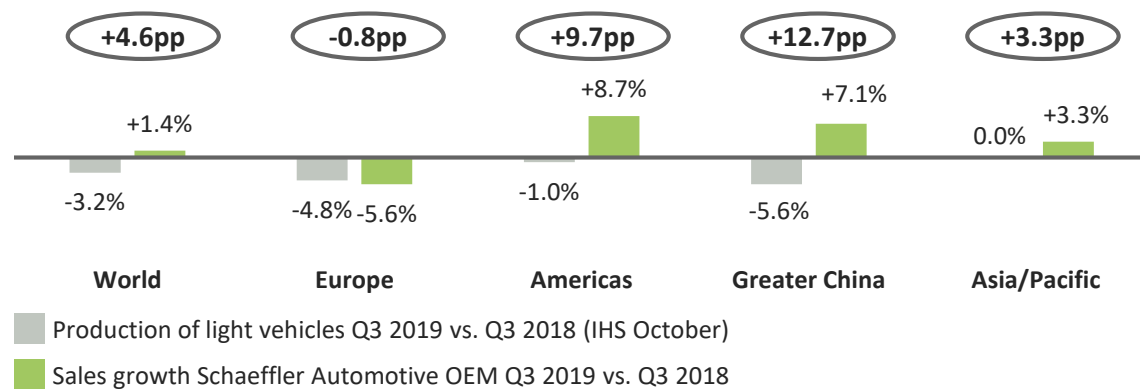
in EUR mn	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
<b>EBIT Reported</b>	391	382	376	204	230	253	312
Auto OEM	-	10	-13	14	55	18	15
Aftermarket	-	-	-3	-	-	-	-
Industrial	-	12	-5	12	-13	13	-
<b>Group</b>	-	22	-21	26	42	31	15
<b>EBIT bsi<sup>1</sup></b>	391	404	356	231	272	284	327

## Automotive OEM – Strong Outperformance, sequentially improved earnings quality

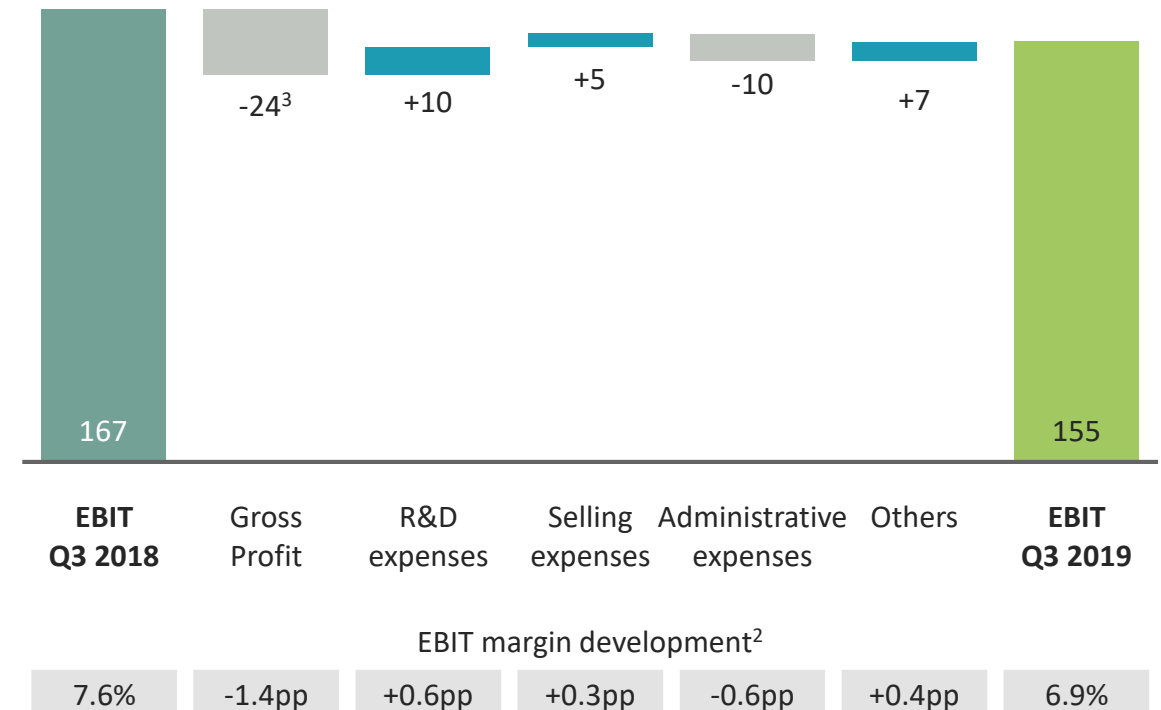
### Sales by business division | yoy growth

	Q3 2018	Q3 2019	$\Delta^1$
Engine Systems	690	700	0.0%
Transmission Systems	995	995	-1.7%
E-Mobility	131	189	+43.9%
Chassis Systems	376	370	-2.5%
<b>Total</b>	<b>2,191</b>	<b>2,254</b>	<b>+1.4%</b>

### Outperformance: Sales<sup>1</sup> vs. market development in Q3



### EBIT<sup>2</sup> Q3 2018 vs. Q3 2019 | in EUR mn



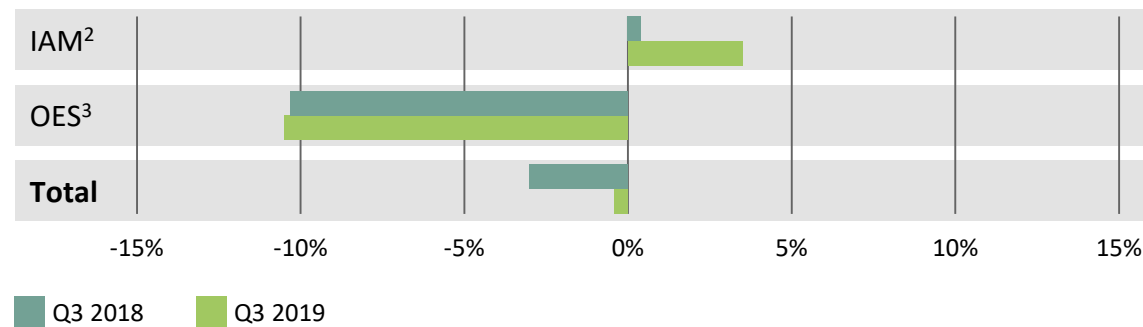
<sup>1</sup> FX-adjusted | <sup>2</sup> Before special items | <sup>3</sup> Includes positive FX effects of EUR 15 mn

## Automotive Aftermarket – Stabilization in European market improves earnings quality

### Sales by region | yoy growth

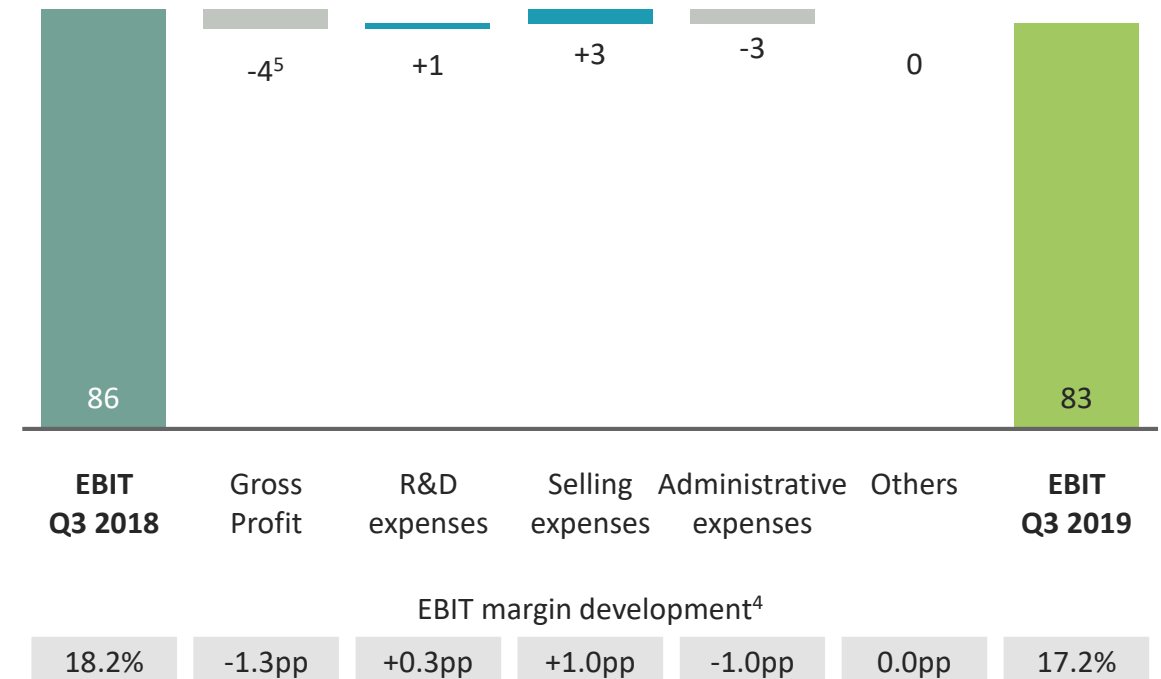
	Q3 2018	Q3 2019	Δ <sup>1</sup>
Europe	355	359	+0.7%
Americas	88	86	-3.7%
Greater China	19	22	+15.2%
Asia/Pacific	14	12	-12.7%
<b>Total</b>	<b>476</b>	<b>480</b>	<b>+0.1%</b>

### Automotive Aftermarket sales growth by channel<sup>1</sup>



<sup>1</sup> FX-adjusted | <sup>2</sup> Independent Aftermarket | <sup>3</sup> Original Equipment Service

### EBIT<sup>4</sup> Q3 2018 vs. Q3 2019 | in EUR mn



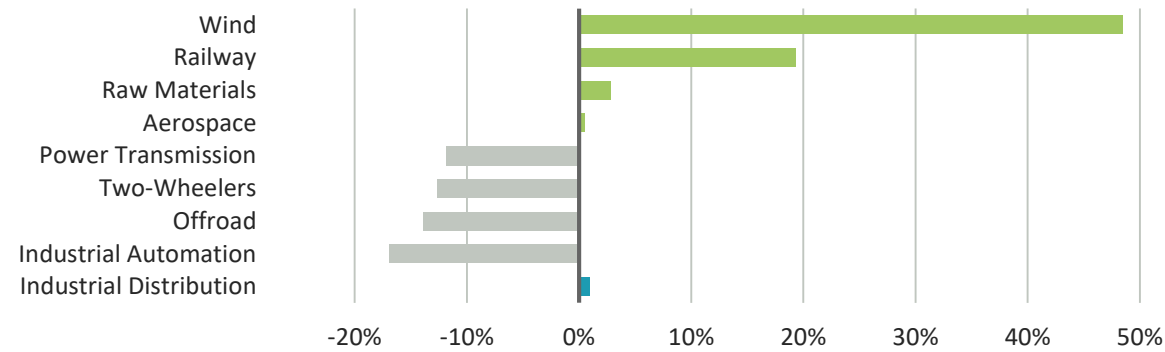
<sup>4</sup> Before special items | <sup>5</sup> Includes positive FX effect of EUR 2 mn

## Industrial – Lower earnings quality as positive volume and price effects are more than offset by higher production and overhead costs

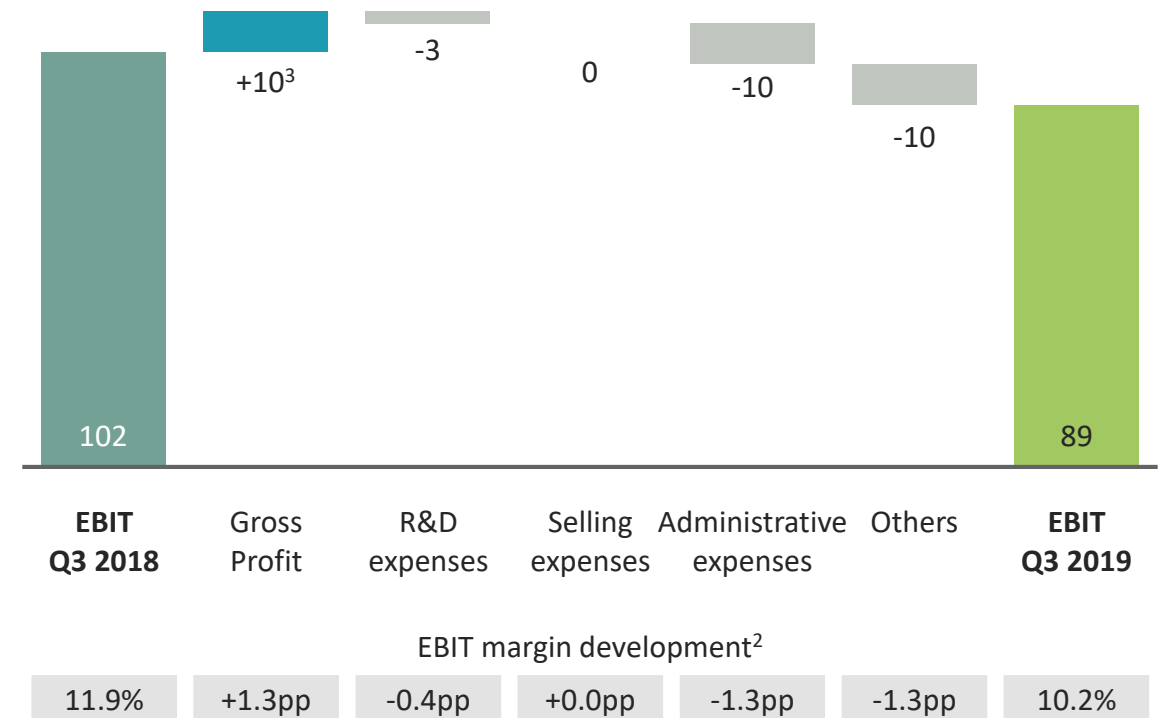
### Sales by region | yoy growth

	Q3 2018	Q3 2019	$\Delta^1$
Europe	469	449	-5.0%
Americas	150	159	+1.8%
Greater China	151	193	+24.8%
Asia/Pacific	84	79	-7.4%
<b>Total</b>	<b>854</b>	<b>879</b>	<b>+1.2%</b>

### Industrial sales growth by sector cluster Q3 2019<sup>1</sup>



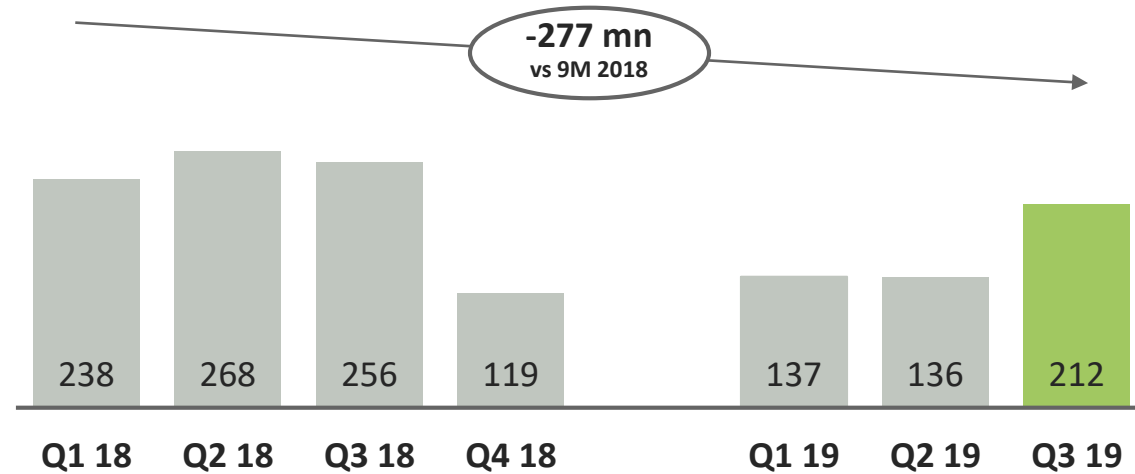
### EBIT<sup>2</sup> Q3 2018 vs. Q3 2019 | in EUR mn



<sup>1</sup> FX-adjusted | <sup>2</sup> Before special items | <sup>3</sup> Includes positive FX effects of EUR 9 mn

**4 Net income<sup>1</sup> Q3 2019 EUR 212 mn – EPS Q3 2019 at EUR 0.31 (PY: EUR 0.38)**

**Net income<sup>1</sup> | in EUR mn**

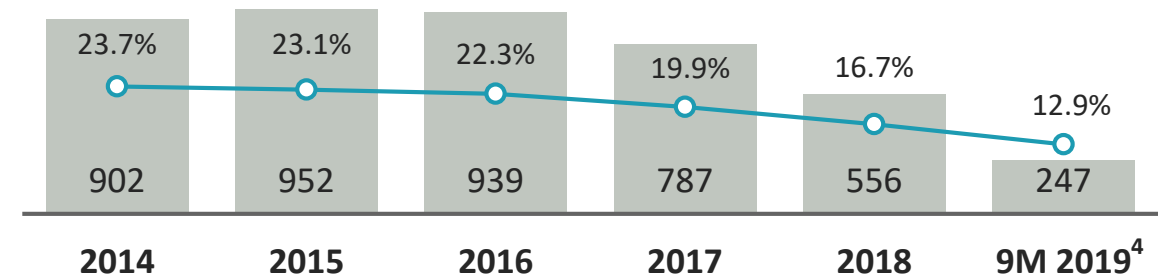


<sup>1</sup> Attributable to the shareholders of the parent company | <sup>2</sup> Earnings per common non-voting share

**Key aspects Q3**

- ▶ Net income decreased to EUR 212 mn (Q3'18: EUR 256 mn)
- ▶ Decrease driven by lower EBIT
- ▶ EPS decreased to EUR 0.31 (Q3'18: EUR 0.38)

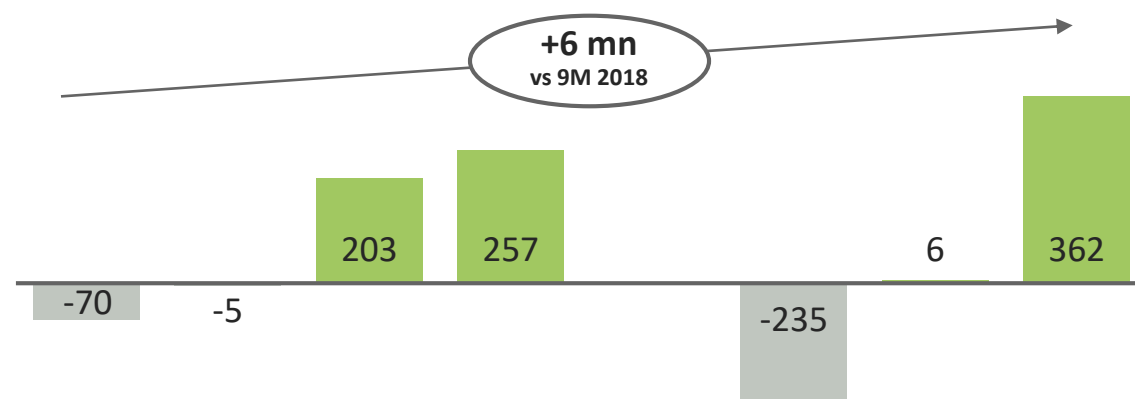
**Schaeffler Value Added<sup>3</sup> | in EUR mn**



— ROCE before special items

<sup>3</sup> EBIT before special items minus Cost of Capital (10% × Ø Capital Employed) | <sup>4</sup> LTM

## 5 Free Cash Flow before M&A<sup>1</sup> 9M at EUR 133 mn (PY: EUR 127 mn)

Free Cash Flow before M&A<sup>1</sup> | in EUR mn

Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
FCF reported						
-71	-5	203	96	-300	10	322
FCF Conversion ratio <sup>2</sup>						
24%	22%	17%	18%	10%	11%	19%
Capex ratio <sup>3</sup>						
8.6%	7.9%	7.4%	10.6%	10.3%	6.1%	6.3%

<sup>1</sup> Before cash in- and outflows for M&A activities<sup>2</sup> LTM FCF before M&A divided by EBITDA before special items | <sup>3</sup> Capex in % of sales

### Key aspects Q3

- ▶ FCF<sup>1</sup> in 9M reached EUR 133 mn (PY: EUR 127 mn)
- ▶ FCF<sup>1</sup> development helped by strict Capex discipline and effective inventory management; Capex Ratio Q3 19 at 6.3%
- ▶ Strong FCF<sup>1</sup> in Q3 also supported by lower interest payments and tax refunds

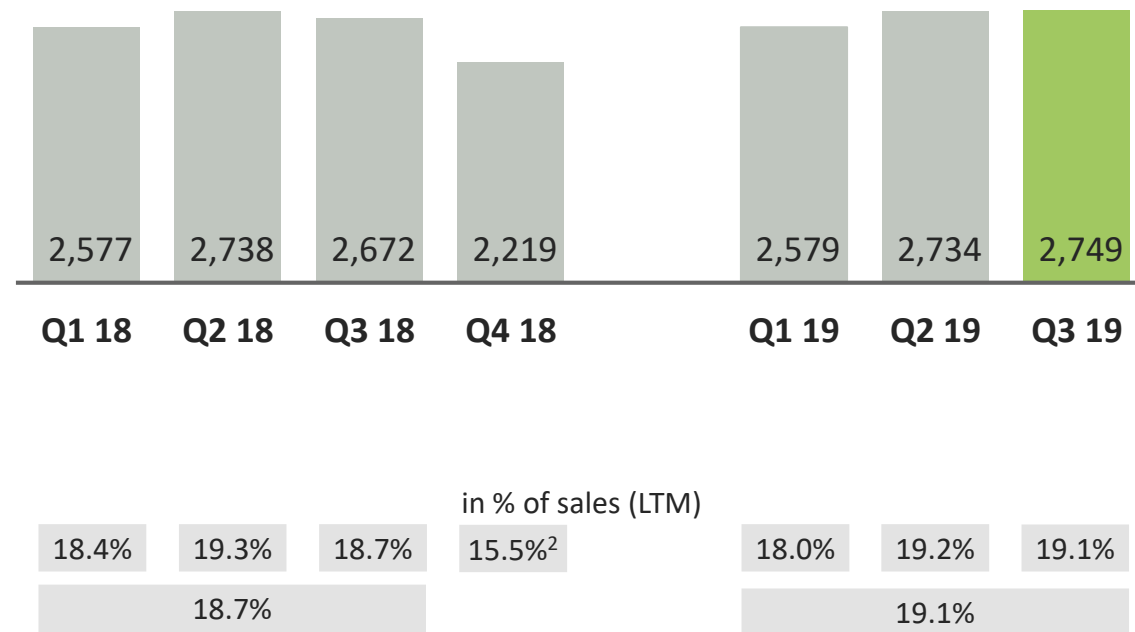
FCF Details | in EUR mn

	Q3 2018	Q3 2019	Δ Q3 18/19	9M 2018	9M 2019	Δ 9M 18/19
FCF as reported	203	322	119	126	32	(94)
Non recurring items <sup>4</sup>	12	12	0	105	52	(53)
Investments <sup>5</sup>	7	1	(6)	33	52	19
M&A	(1)	40	41	1	101	100
Receivable Sale Program	(47)	1	48	(47)	1	48
	174	376	202	218	238	20

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

## 6 Working Capital ratio 19.1% – Capex ratio 6.3% in Q3

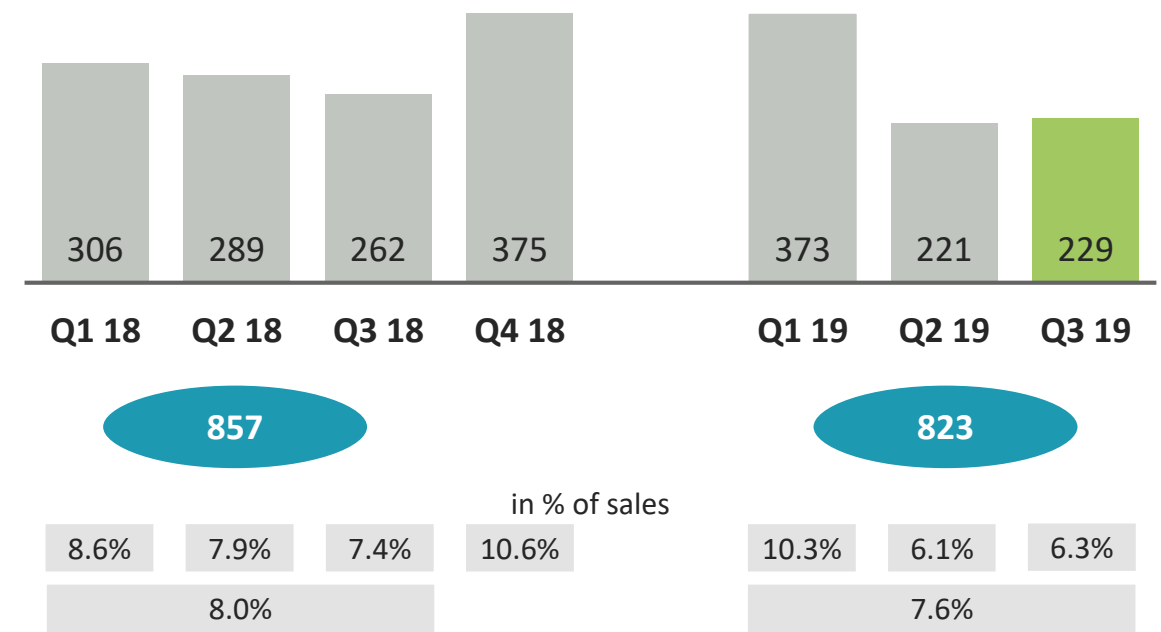
### Working capital<sup>1</sup> | in EUR mn



<sup>1</sup> According to balance sheet; figures as per the end of period

<sup>2</sup> At 31<sup>st</sup> December 2018, trade receivables with a carrying amount of EUR 166 mn net of retained default risks had been sold under the ABCP program

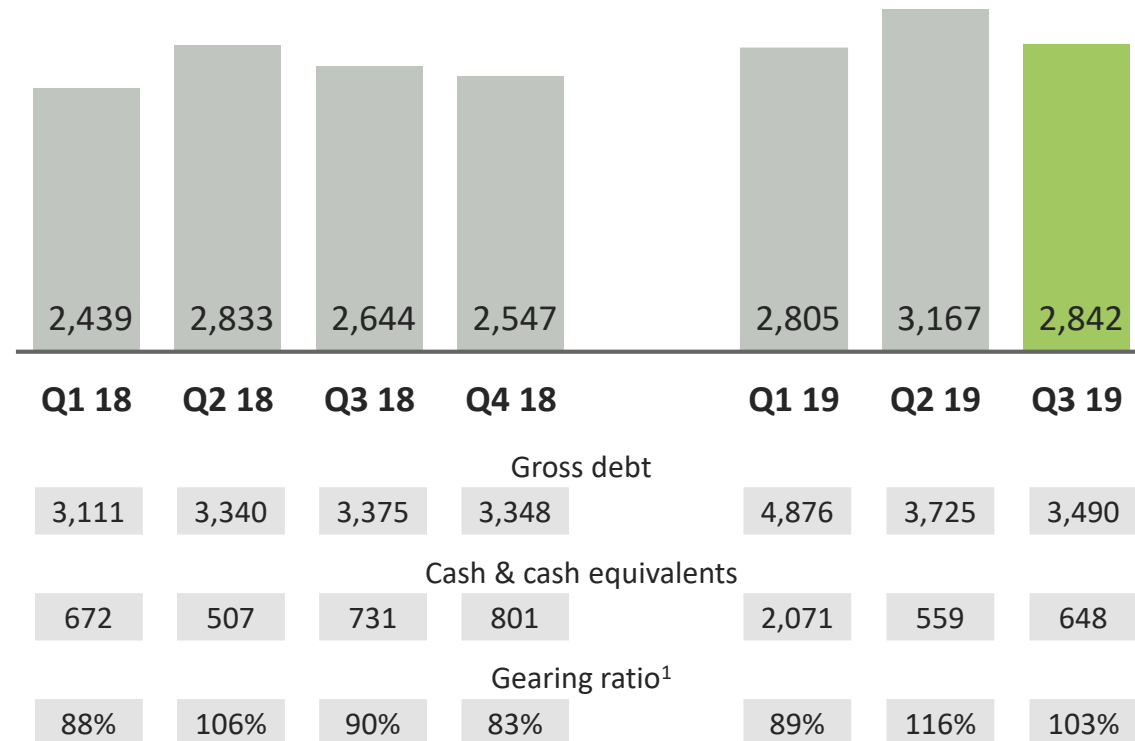
### Capex<sup>3</sup> | in EUR mn



<sup>3</sup> Cash view

## 7 Net debt of EUR 2,842 mn – Gearing ratio<sup>1</sup> at 103%

### Net financial debt and Gearing ratio | in EUR mn

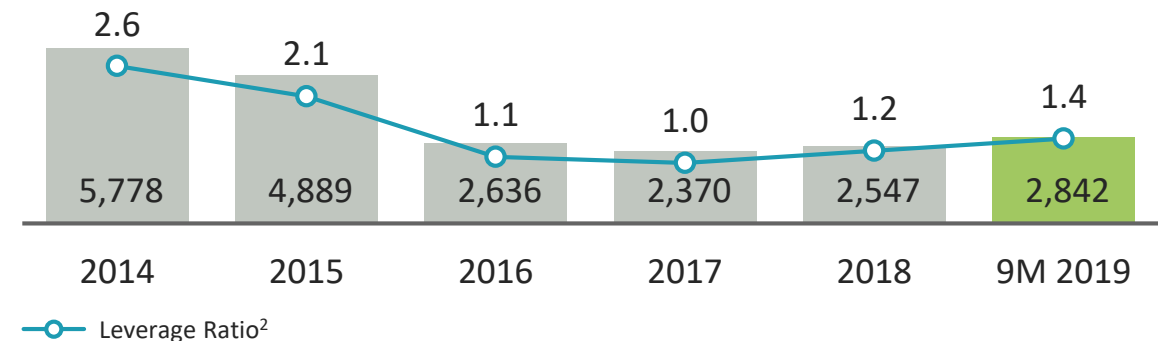


<sup>1</sup> Gearing ratio: Ratio of net financial debt to equity incl. non-controlling interests in %

### Key aspects Q3

- ▶ Gross debt sequentially reduced, including full repayment of Revolving Credit Facility with EUR 225 mn
- ▶ Net leverage ratio<sup>2</sup> at 1.4x (vs. 1.6x at H1 19)
- ▶ Gearing Ratio at 103%

### Net debt development | in EUR mn



<sup>2</sup> Leverage Ratio: Net financial debt to EBITDA ratio before special items

## Guidance 2019 – Confirmed on Group and divisional level

## Group Guidance

	Actuals 9M 2019	Guidance FY 2019 <sup>4</sup>
<b>Sales growth<sup>1</sup></b>	-0.1%	<b>-1 - +1%</b>
<b>EBIT margin<sup>2</sup></b>	8.1%	<b>7 - 8%</b>
<b>Free Cash Flow<sup>3</sup></b>	EUR 133 mn	<b>EUR 350 - 400 mn</b>

<sup>1</sup> FX-adjusted | <sup>2</sup> Before special items<sup>3</sup> Before cash in- and outflows for M&A activities | <sup>4</sup> As of July 29, 2019

## Divisional Guidance

Automotive OEM		Automotive Aftermarket		Industrial	
Actuals 9M 2019	Guidance FY 2019 <sup>4</sup>	Actuals 9M 2019	Guidance FY 2019 <sup>4</sup>	Actuals 9M 2019	Guidance FY 2019 <sup>4</sup>
-1.5%	<b>-2 - 0%</b>	-1.5%	<b>-2 - 0%</b>	+4.3%	<b>2 - 4%</b>
5.5%	<b>5 - 6%</b>	15.8%	<b>15 - 16%</b>	10.9%	<b>10 - 11%</b>

## Market assumptions 2019

- ▶ Automotive OEM: Decrease of global passenger car production of around **-5% to -6%** (Previously<sup>4</sup>: -4%)
- ▶ Automotive Aftermarket: Slower growth in the global vehicle population and a nearly unchanged average vehicle age
- ▶ Industrial: Growth of industrial production of approximately 2%

## Conclusion & Outlook – Robust quarter, further execution of self-help measures

- 1 Robust quarter with strong performance in Americas and Greater China leading to a sequential margin improvement in Automotive OEM

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- 2 Automotive Aftermarket with strong Q3 margin driven by stabilization of Independent Aftermarket channel in Europe

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- 3 Industrial with a solid quarter driven by Greater China performance, challenging environment in cyclical sectors

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- 4 Strong FCF underlines increased focus on Capex and inventory management, FY guidance confirmed

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- 5 Solid base to achieve guidance including further headwinds in Q4, secured by continued self-help measures



**Relentless execution  
in a more complex  
market environment**

<sup>1</sup> Before cash in- and outflows for M&A activities

## Financial calendar 2019 / 2020 – Strategy CMD on March 24<sup>th</sup> 2020 in Herzogenaurach

### Roadshows / Conferences

Nov 6<sup>th</sup>

London, Roadshow J.P. Morgan

Nov 8<sup>th</sup>

Frankfurt, Roadshow Oddo BHF

Dec 4<sup>th</sup>

New York, Roadshow Exane

Jan 22<sup>nd</sup>

Frankfurt, Kepler German Corporate Conference

### Regular capital market communication

Nov 5<sup>th</sup>

9M 2019 Earnings Release

Mar 10<sup>th</sup>

FY 2019 Earnings Release

Mar 24<sup>th</sup>**Strategy CMD 2020, Herzogenaurach**May 6<sup>th</sup>

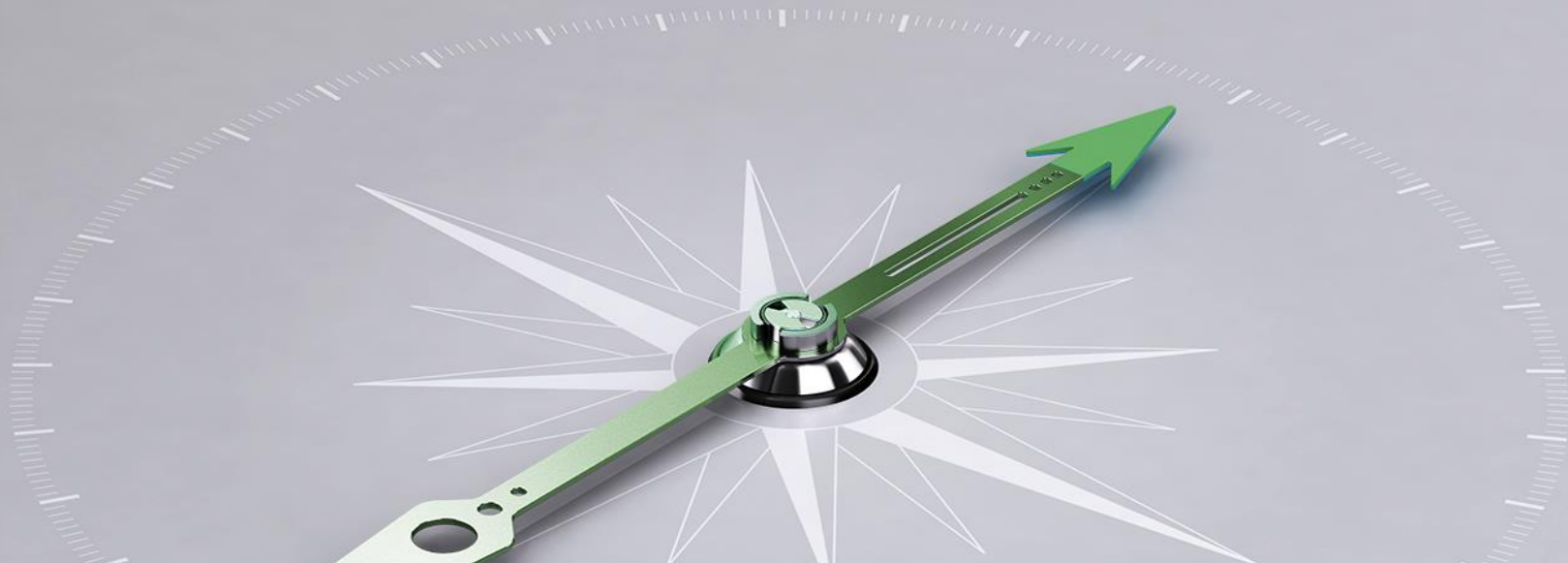
Q1 2020 Earnings Release

Aug 4<sup>th</sup>

H1 2020 Earnings Release

Nov 10<sup>th</sup>

9M 2020 Earnings Release



## IR Contact

### Investor Relations

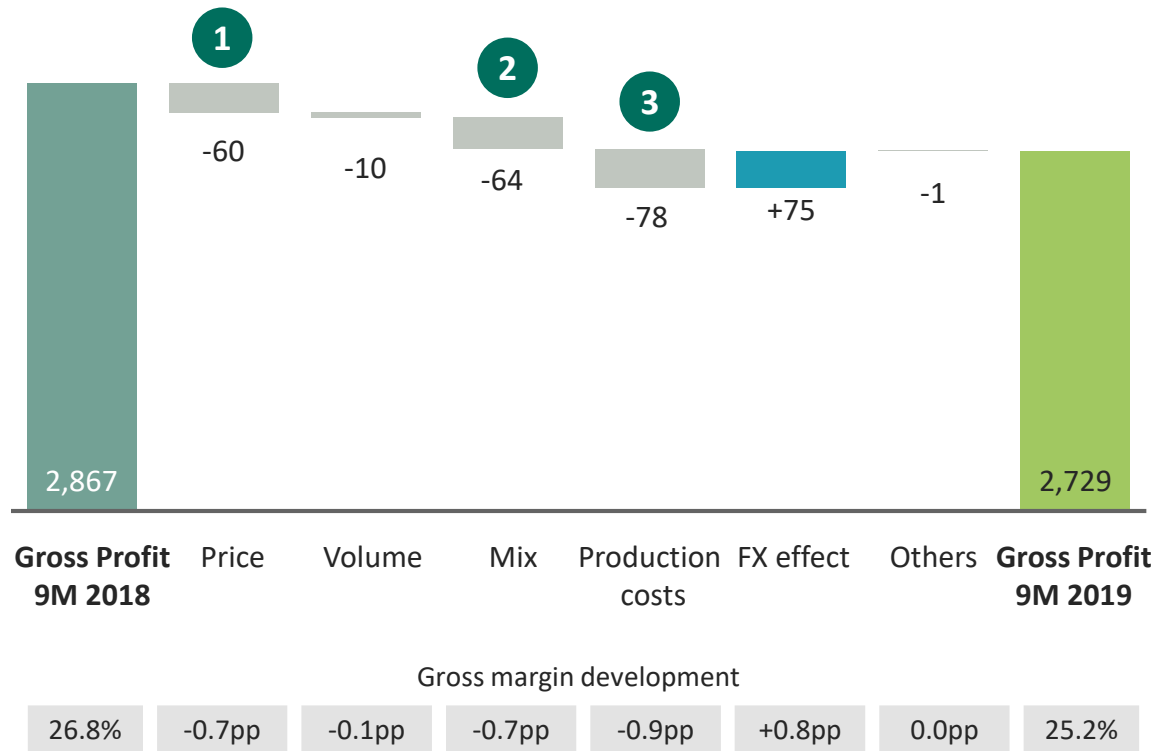
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## Gross Profit – Negative price and mix effects, higher production costs

Gross Profit 9M 2018 vs. 9M 2019 | in EUR mn



### Key aspects 9M

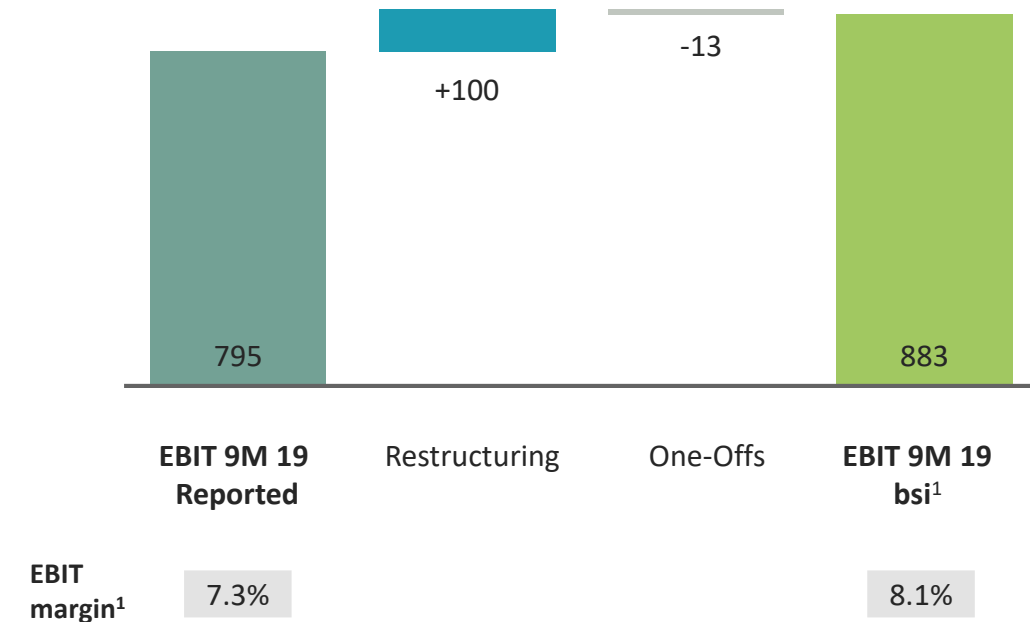
- 1 Price concessions in major Auto OEM end markets, in particular in China and Europe
- 2 Negative mix effect driven by Auto OEM due to ramp-ups in systems business
- 3 Higher production costs in all divisions with personnel costs being the main driver – Q3 improved due to effective flexing of costs

### Gross Margin

in % of sales	Q3 18	Q3 19	Q3 19 vs. Q3 18	9M 18	9M 19	9M 19 vs. 9M 18
Auto OEM	22.9%	21.2%	-1.7pp	23.6%	20.9%	-2.7pp
Aftermarket	35.6%	34.6%	-1.0pp	35.7%	34.0%	-1.7pp
Industrial	30.6%	30.9%	+0.3pp	30.3%	31.4%	+1.1pp
Group	26.5%	25.4%	-1.1pp	26.8%	25.2%	-1.6pp

## EBIT Reported vs. EBIT before special items – Overview 9M 2019

### EBIT Reported vs. EBIT bsi<sup>1</sup> 9M 2019 | in EUR mn



<sup>1</sup> Before special items

### Key aspects 9M

- ▶ Restructuring includes EUR 82 mn for Program RACE and EUR 18 mn for UK reorganization launched in 2018
- ▶ One-Offs include EUR 13 mn positive effect (booked in Q1) from a refund of a penalty paid in 2015

### Special items by division | in EUR mn

in EUR mn	Q1 18	H1 18	9M 18	FY 18	Q1 19	H1 19	9M 19
EBIT Reported	391	773	1,149	1,354	230	483	795
Auto OEM	-	10	-3	11	55	73	87
Aftermarket	-	-	-3	-3	-	-	-
Industrial	-	12	7	19	-13	0	0
Group	-	22	1	27	42	73	88
EBIT bsi <sup>1</sup>	391	794	1,150	1,381	272	556	883

## Key figures by Group and division

## Group | in EUR mn

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Sales	3,551	3,641	3,521	3,527	3,622	3,604	3,613
Sales Growth <sup>1</sup>	+3.9%	+7.9%	+3.7%	+0.3%	+0.4%	-2.0%	+1.2%
EBIT Reported	391	382	376	204	230	253	312
EBIT bsi	391	404	356	231	272	284	327
EBIT bsi margin	11.0%	11.1%	10.1%	6.5%	7.5%	7.9%	9.1%

## Automotive OEM | in EUR mn

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Sales	2,280	2,307	2,191	2,218	2,286	2,229	2,254 <sup>2</sup>
Sales Growth <sup>1</sup>	+3.2%	+6.5%	+3.2%	-4.2%	-1.7%	-4.2%	+1.4%
EBIT Reported	218	197	180	66	59	85	140
EBIT bsi	218	207	167	81	113	103	155
EBIT bsi margin	9.6%	9.0%	7.6%	3.6%	5.0%	4.6%	6.9%

<sup>1</sup> FX-adjusted | <sup>2</sup> Typo corrected on November 11, 2019 – From 2,245 to the correct figure 2,254

Adjusted comparative  
figures 2018

## Automotive Aftermarket | in EUR mn

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Sales	447	480	476	459	441	465	480
Sales Growth <sup>1</sup>	-4.4%	+12.3%	-3.0%	+5.0%	-1.1%	-3.6%	+0.1%
EBIT Reported	80	99	89	73	64	73	83
EBIT bsi	80	99	86	73	64	73	83
EBIT bsi marg.	18.0%	20.6%	18.2%	15.9%	14.4%	15.7%	17.2%

## Industrial | in EUR mn

	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Sales	824	855	854	850	895	911	879
Sales Growth <sup>1</sup>	+10.8%	+9.3%	+9.4%	+11.0%	+6.9%	+5.0%	+1.2%
EBIT Reported	92	86	107	66	108	95	89
EBIT bsi	92	98	102	77	95	108	89
EBIT bsi margin	11.2%	11.4%	12.0%	9.1%	10.6%	11.9%	10.2%

## Automotive OEM Outperformance by quarters

FY 19 (YTD) Outperformance: +4.4pp			Q1 19			Q2 19			Q3 19		
	IHS <sup>1</sup>	Auto OEM <sup>2</sup>	Outper- formance								
World	-5.8%	-1.7%	+4.1pp								
Europe	-6.2%	-3.3%	+2.9pp								
Americas	-3.6%	+12.4%	+16.0pp								
Greater China	-11.0%	-14.5%	-3.5pp								
Asia/Pacific	0.0%	+2.4%	+2.4pp								

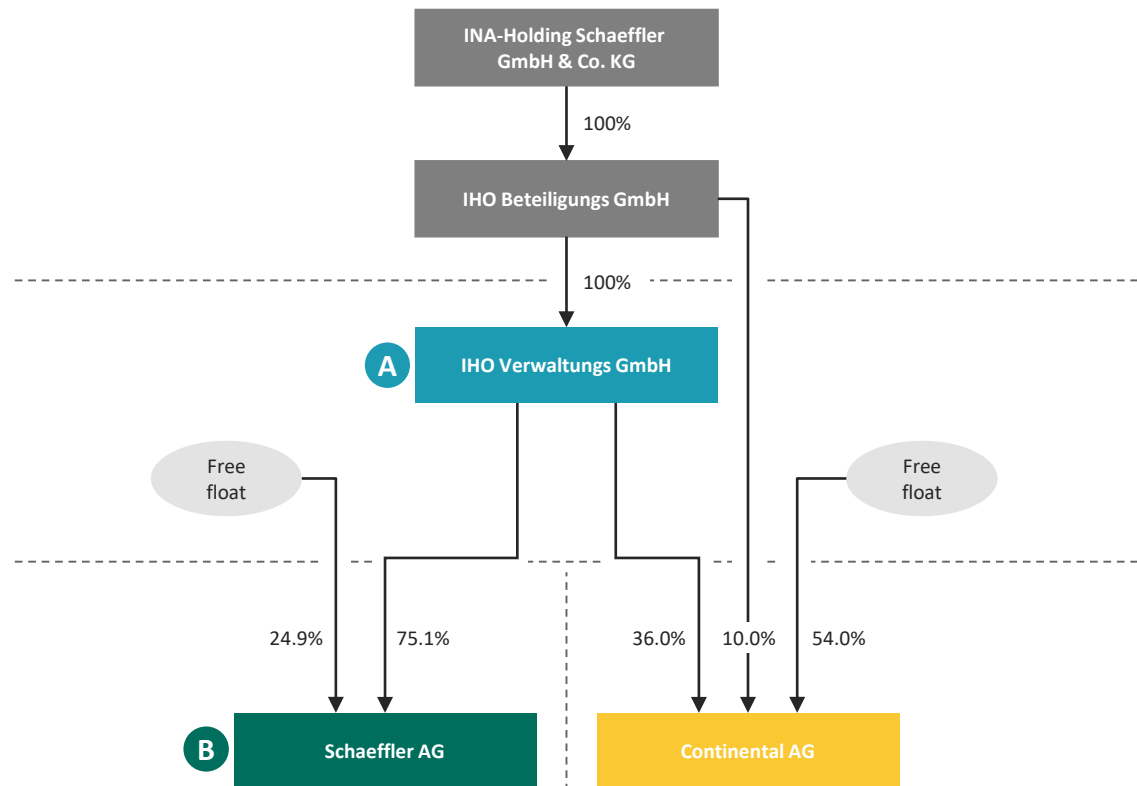
  

FY 18 Outperformance: +3.1pp			Q1 18			Q2 18			Q3 18			Q4 18		
	IHS <sup>1</sup>	Auto OEM <sup>2</sup>	Outper- formance											
World	-0.1%	+3.2%	+3.3pp											
Europe	+2.4%	+0.4%	-2.0pp											
Americas	-1.4%	+3.7%	+5.1pp											
Greater China	-1.6%	+12.4%	+14.0pp											
Asia/Pacific	-0.4%	+0.5%	+0.9pp											

<sup>1</sup> LVP Growth according to IHS Markit (October 2019) | <sup>2</sup> FX-adjusted Sales Growth Automotive OEM division

## Overview Corporate and Financing Structure

### Corporate structure (simplified) | as of September 30, 2019



### Financing structure | as of September 30, 2019

#### A IHO Verwaltungs GmbH

	Debt instrument	Nominal (USD mn)	Nominal (EUR <sup>1</sup> mn)	Interest	Maturity	Rating (Fitch/Moody's/S&P)
Loans	Term loan (EUR)	-	600	E+2.75%	May-24	Not rated
	RCF (EUR 400 mn)	-	-	E+2.75%	May-24	Not rated
Bonds	3.625% SSNs 2025 (EUR)	-	800	3.625%	May-25	BB+/Ba1/BB+
	3.75% SSNs 2026 (EUR)	-	750	3.75%	Sep-26	BB+/Ba1/BB+
	4.75% SSNs 2026 (USD)	500	459	4.75%	Sep-26	BB+/Ba1/BB+
	3.875% SSNs 2027 (EUR)	-	500	3.875%	May-27	BB+/Ba1/BB+
	6.00% SSNs 2027 (USD)	450	413	6.00%	May-27	BB+/Ba1/BB+
	6.375% SSNs 2029 (USD)	400	367	6.375%	May-29	BB+/Ba1/BB+
Total IHO Verwaltungs GmbH			3,889	Ø 3.68% <sup>2,3</sup>		

#### B Schaeffler AG

	Debt instrument	Nominal (USD mn)	Nominal (EUR <sup>1</sup> 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)	-	219	E+1.00%	Dec-22	Not rated
Bonds	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 <sup>4</sup>	-	600	3.25%	May-25	BBB-/Baa3/BBB-
	2.875% SNs 2027 (EUR)	-	650	2.875%	Mar-27	BBB-/Baa3/BBB-
Total Schaeffler Group			3,519	Ø 2.00% <sup>3</sup>		

<sup>1</sup> EUR/USD = 1.0889 | <sup>2</sup> After cross currency swaps | <sup>3</sup> Incl. commitment and utilization fees.

<sup>4</sup> Bond issued by Schaeffler Finance B.V., guaranteed by Schaeffler AG.