

Results FY 2019 Schaeffler AG

Conference Call
March 10, 2020
Herzogenaurach

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Agenda

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

Challenging environment remains – Strong Free Cash Flow generation

Key messages 2019

- 1 Stable Group sales development – Growth in Industrial, slight declines in Automotive divisions
- 2 Record order intake of EUR 15 bn with a Book-to-bill-Ratio of 1.7x (FY 18: 1.4x) – New EUR 2 bn order intake for a full hybrid solution
- 3 Automotive divisions with lower EBIT margin vs. PY – Industrial with stable development
- 4 Headcount reduced by 5.1% to 87,748 (FY 18: 92,478) – Further provisions built (Voluntary severance scheme in Germany)
- 5 Strong FCF generation (FY 19: EUR 473 mn) – Strict Capex discipline and efficient inventory management
- 6 Dividend proposal EUR 45 cent⁴, payout policy raised to 30-50% – Cautious FY 2020 guidance reflecting COVID-19 foreseeable impact

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

⁴ Proposed dividend per common non-voting share

Sales growth¹

+0.1%

EUR 14,427 mn

EBIT margin²

8.1%

EUR 1,161 mn

Free Cash Flow³

EUR 473 mn

Dividend per share⁴

EUR 45 cent

Group and divisional guidance 2019 achieved – FCF guidance overachieved

Group Results FY 2019

	Guidance	Actual	
Sales growth ¹	-1 - 1%	+0.1%	✓
EBIT margin ²	7 - 8%	8.1%	✓
Free Cash Flow ³	EUR 350 - 400 mn	EUR 473 mn	✓

¹ FX-adjusted | ² Before special items

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

Divisional Results FY 2019

Automotive OEM	✓	Automotive Aftermarket	✓	Industrial	✓
Guidance	Actual	Guidance	Actual	Guidance	Actual
-2 - 0%	-0.8%	-2 - 0%	-1.1%	2 - 4%	+3.1%
5 - 6%	5.4%	15 - 16%	16.1%	10 - 11%	10.5%

Actual market development vs. assumptions:

- ▶ Automotive OEM: Actual value according to IHS⁴ minus 5.6% in 2019 vs. assumption of around -5 to -6%⁵
- ▶ Automotive Aftermarket: Slower growth in the global vehicle population and a nearly unchanged average vehicle age in line with expectations
- ▶ Industrial: Growth of industrial production in 2019 of 1.7% vs. assumption of approximately 2%

⁴ LVP growth according to IHS Markit (February) | ⁵ As of November 5th

Schaeffler Group FY 2019 – Highlights and lowlights



Automotive OEM: 480 bps LVP¹ outperformance driven by Americas and Greater China; E-Mobility business division grew more than 35%²



Accountability of divisional management further strengthened, dedicated efficiency programs for all three divisions established



Self-help measures gained further traction, additional voluntary severance scheme set up and running according to schedule



Group Capex to Sales ratio down to 7.2% (FY 18: 8.7%), together with efficient inventory management resulting in strong cash generation

¹ Light Vehicle Production (IHS Markit February) | ² FX-adjusted



Continued topline weakness of Automotive OEM business in Europe (-6.0%²)



Cyclical industrial sector clusters with substantial declines in H2 as expected, region Europe the most affected



Gross Margin in Automotive OEM still subdued, flexing of costs in European Automotive plants improved in H2

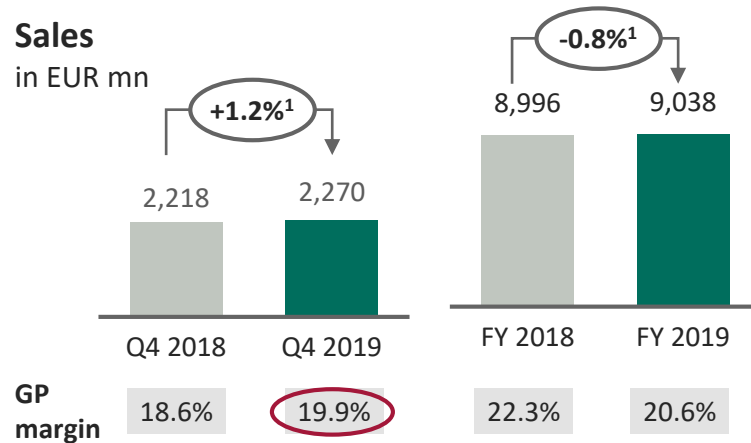


Cost efficiency in Europe needs to be further improved across divisions and functions

Automotive OEM – Strong outperformance of LVP³ (FY 19: 480 bps) and improved flexing of costs

Sales

in EUR mn

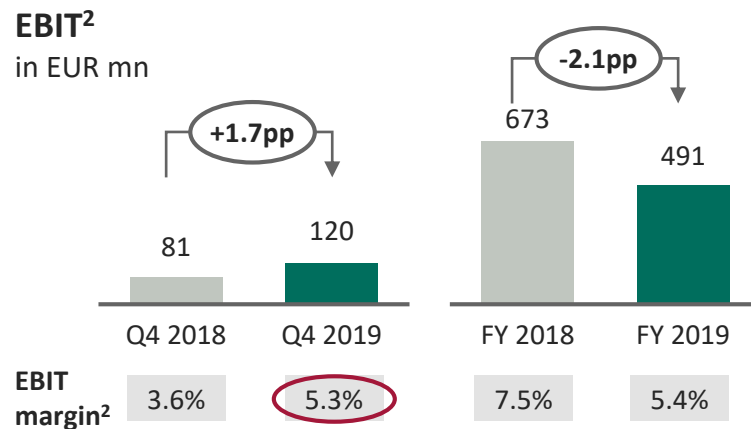


GP margin

Q4 2018	Q4 2019	FY 2018	FY 2019
18.6%	19.9%	22.3%	20.6%

EBIT²

in EUR mn

EBIT margin²

Q4 2018	Q4 2019	FY 2018	FY 2019
3.6%	5.3%	7.5%	5.4%



Q4 outperformance of LVP³ by 560 bps, driven by ramp-ups both in Americas and in Greater China



E-Mobility up 31.5%¹ in Q4 due to important ramp-ups in Europe, Americas and Greater China; also continued strong growth of TMM⁴ in Engine Systems



Headcount further decreased in Q4, investments reduced by over EUR 300 mn in FY 2019 following improved prioritization and capital allocation



Continued weakness in Europe in Q4 (-8.6%¹), in line with our expectations; regional underperformance partly related to lower demand for manual transmissions



Gross Margin in FY 2019 below prior year; however stabilized in H2 as flexing of costs in European Automotive plants materially reduced production costs

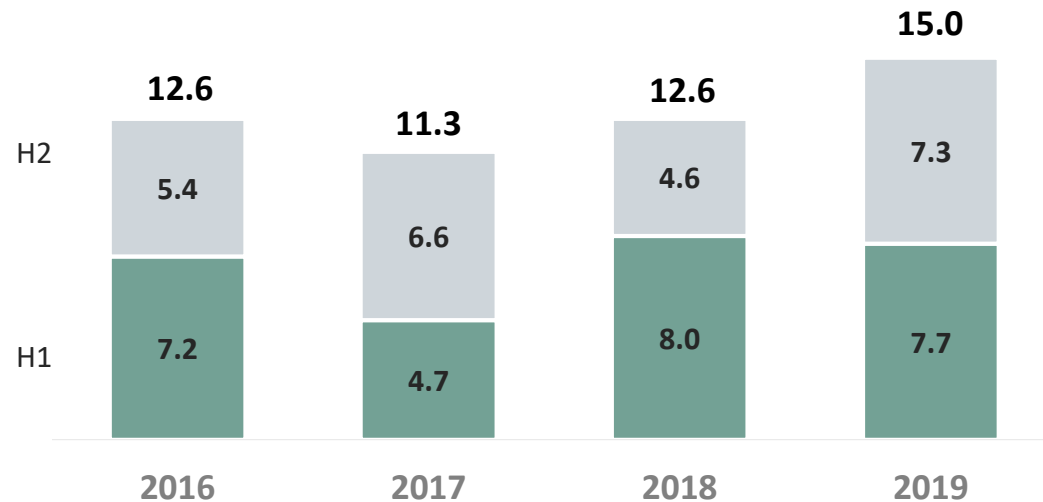
¹ FX-adjusted | ² Before special items | ³ Light Vehicle Production (IHS Markit February) | ⁴ Thermal management module

Automotive OEM – Book-to-bill-Ratio² at 1.7x in FY 2019

Automotive OEM Order Intake¹

¹ Received orders in given time period | ² Lifetime Sales / Current period revenue

in EUR bn



Book-to-bill-Ratio²

H2	1.3x	1.5x	1.1x	1.7x
H1	1.6x	1.1x	1.7x	1.8x
FY	1.5x	1.3x	1.4x	1.7x

Business Highlights

1 E-Mobility – Hybrid Transmission

- ▶ Complete powertrain system with two Schaeffler e-Motors
- ▶ Order intake EUR ~2.1 bn, SOP 2024



2 Chassis Mechatronics – Intelligent Rear Wheel Steering and Intelligent Active Roll Control

- ▶ Complete mechatronic systems with integrated electronic power pack
- ▶ Order intake EUR ~150 mn, SOP 2022

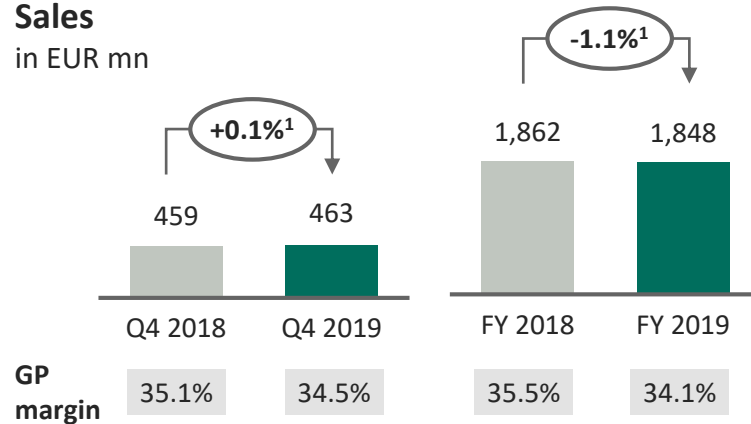


EUR 4 bn order intake 2019 in E-Mobility and Chassis Mechatronics clearly above the RACE target of EUR 1.5 - 2 bn.

Automotive Aftermarket – Initial savings of program GRIP support earnings quality

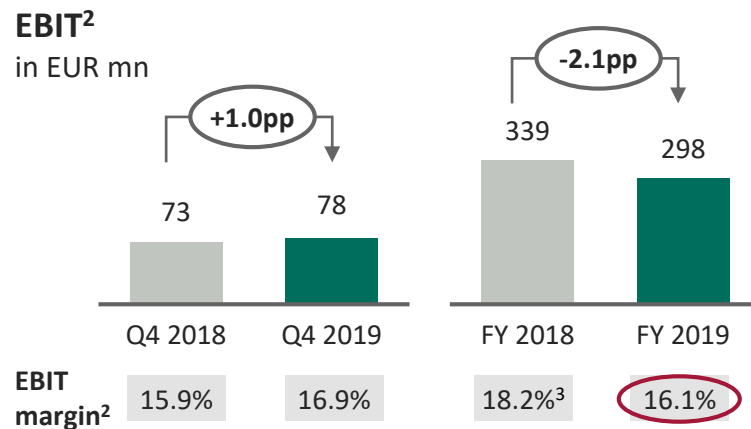
Sales

in EUR mn



EBIT²

in EUR mn



Independent Aftermarket +0.8%¹ sales growth in Q4 (FY: +2.1%¹)



Initial impact of program GRIP mainly in the area of pricing, sourcing and operational expenses supported earnings development



Successful inventory management led to around EUR 40 mn less inventory vs. year end 2018 and a substantial reduction in DOH⁴



Expected destocking in OES channel in Europe continued, although on a less intense level (OES Europe Q4: -1.5% yoy)



Increased COGS in comparison to previous year due to higher product costs and costs related to the use of tooling

¹ FX-adjusted | ² Before special items | ³ Includes a favorable non adjusted one-off of EUR 8 mn in Q2 18 | ⁴ Days on Hand

Automotive Aftermarket – New and exclusive E-Mobility repair solutions

- ▶ As the first supplier in the aftermarket, Schaeffler Automotive Aftermarket offers a repair solution for the front end auxiliary drive (FEAD) for hybrid vehicles with 48-volt.
- ▶ The 48-volt INA FEAD KIT is now available for the Renault Scénic and Mégane dCi 110 Hybrid Assist.
- ▶ The main components include the V-ribbed belt, tension and idler pulleys as well as all necessary accessories.
- ▶ During the course of this year, solutions for other vehicle applications will follow.



Front End Auxiliary Drive

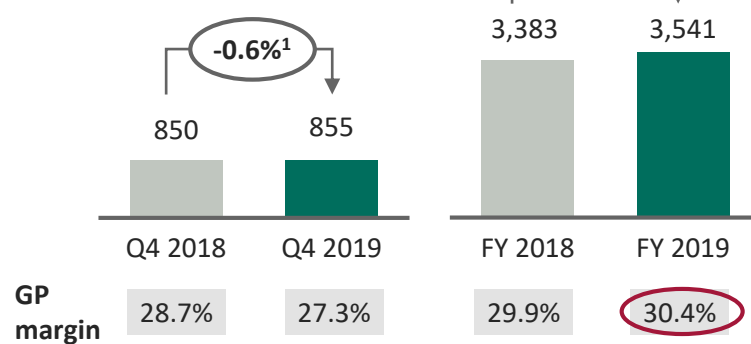
Thanks to the INA FEAD KIT for hybrid cars, all components can be replaced at once. This ensures sustainable repair.



Industrial – Decline in cyclical sector clusters intensified, Wind with strong growth

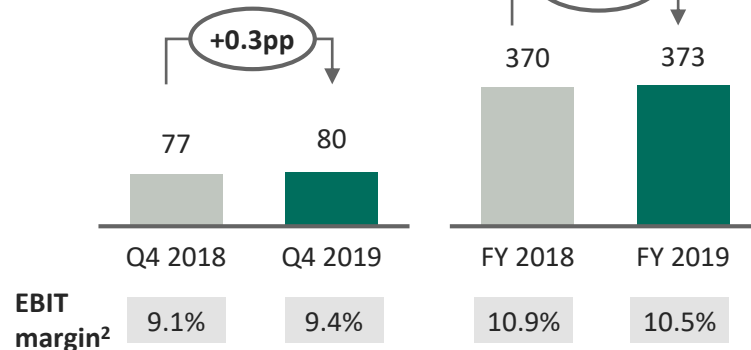
Sales

in EUR mn



EBIT²

in EUR mn



Very strong growth in sector cluster Wind with over 50% in Q4, mainly driven by demand in Greater China for Offshore turbines
Sector cluster Railway, Raw Materials and Aerospace also growing



Despite overall negative growth¹ development in Q4, EBIT margin maintained



In line with expectations, decline continued in more cyclical sector clusters Industrial Automation, Power Transmission and Offroad – Mainly in Europe



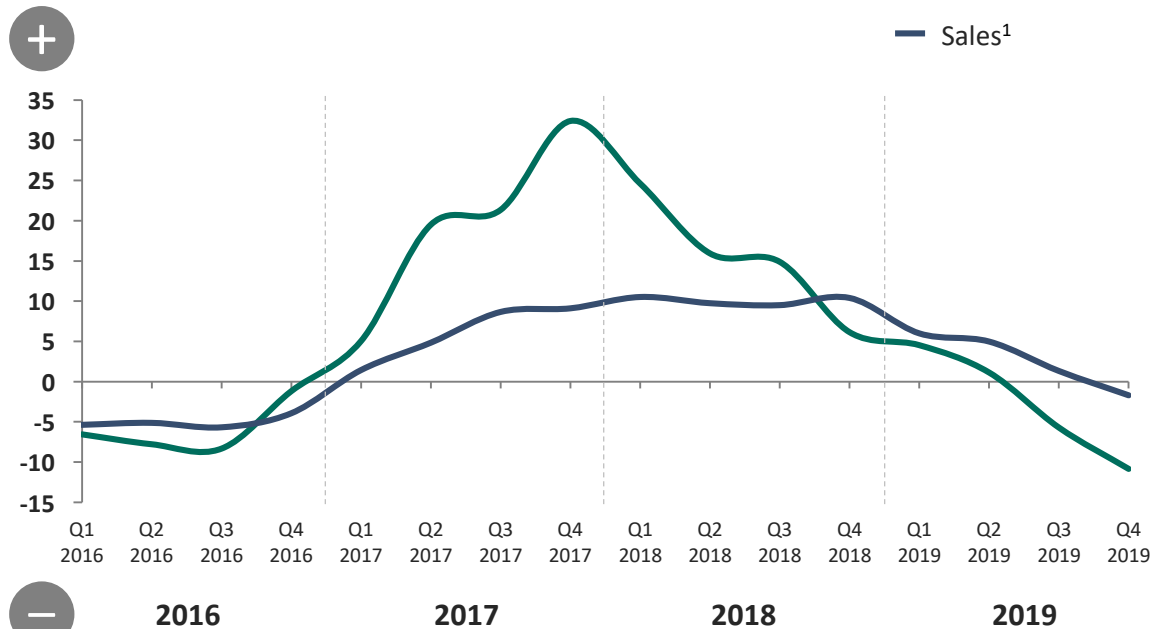
Gross margin Q4 lower due to an one-off warranty cases and small write-offs for machinery and inventories, the latter adjusted at EBIT level

¹ FX-adjusted | ² Before special items

Industrial – Significant downturn in economic cyclic sectors, Wind shows ongoing positive development

Orderbook 3M

yoy growth



¹ FX-adjusted product sales

² The order book 3M measures the amount of customer orders which are due in the next three months. It is presented as a relative, fx-adjusted yoy growth indicator which reflects the short-term business expectations. Developments in the distribution business have typically a shorter reach and are therefore only partially reflected by this indicator.

Business highlights Q4



Two strategic agreements with top wind OEMs in China for Offshore turbines signed



Major orders received for metro projects in India and Canada to strengthen public transportation in urban areas



Successful application of mechanical actuator in medical imaging equipment to allow more user-friendly diagnostics



Renewed long-term agreement with key Aerospace OEM for bearings in aircraft engine gearboxes

Capital discipline – Goal of Capex ratio below 8% overachieved

Investment¹ allocation | in EUR mn

	FY 17	FY 18	Q4 18	Q4 19	FY 19
Automotive OEM	1,006	1,049	353	124	702
Automotive Aftermarket	33	56	42	31	68
Industrial	248	170	74	46	163
Schaeffler Group	1,287	1,275	469	201	933
Capex	1,273	1,232	376	222	1,045
Capex ratio²	9.1%	8.7%	10.6%	6.2%	7.2%

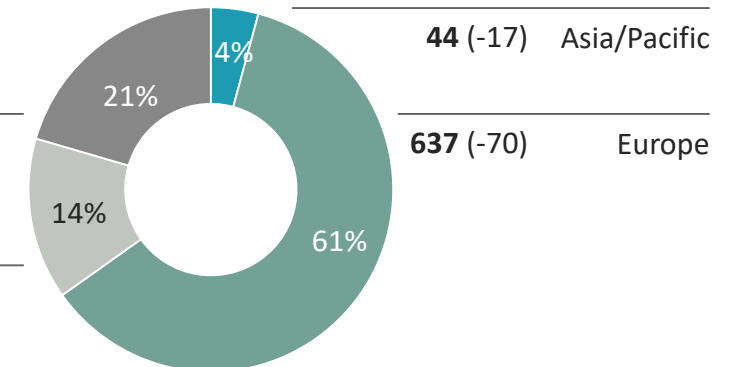
¹ Additions to intangible assets and property, plant and equipment | ² Capex in % of sales

Key aspects

- ▶ Capex ratio² FY 19 (7.2%) well below the goal of “< 8%”
- ▶ Special target for Short Term Bonus achieved – No “hockey stick” in 2019
- ▶ Continued commitment to capital discipline going forward – For 2020 Capex of EUR ~1 bn implying a Capex ratio² of less than 7%

Capex by region FY 2019 in EUR mn (yoy change)

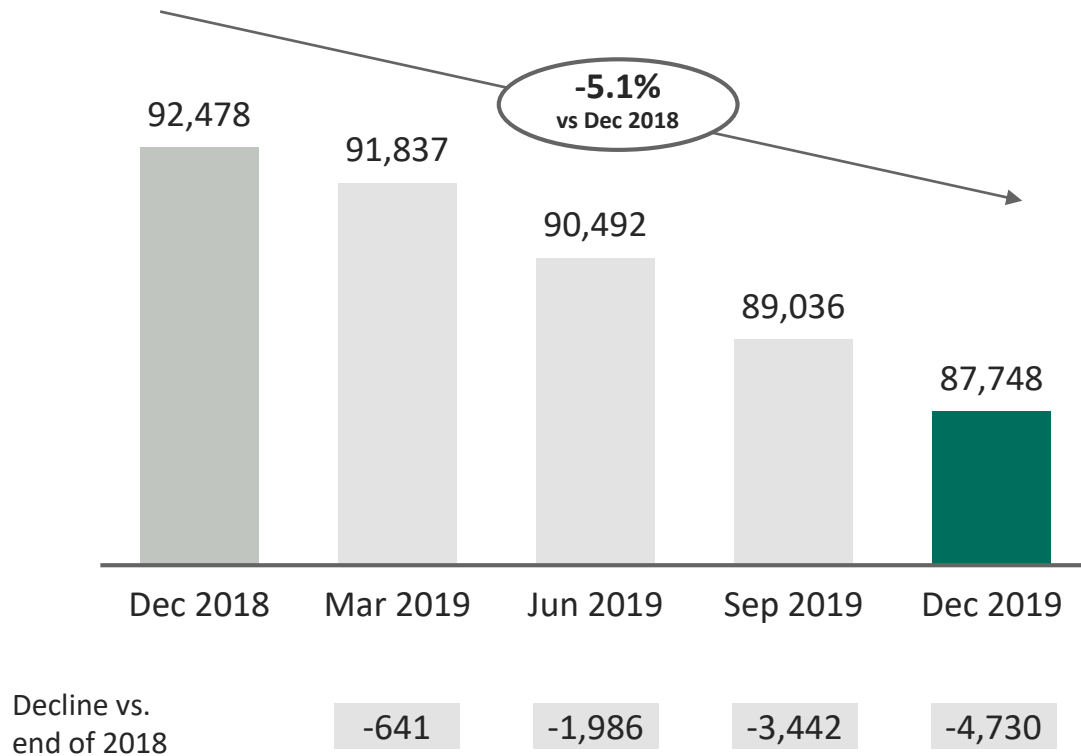
Greater China	214 (-91)
Americas	150 (-9)



Cost discipline – More than 5% headcount reduction vs. FY 2018 achieved

Schaeffler Headcount

as per end of period



Key aspects

- ▶ Headcount reduction of more than 5% of total employees achieved by various efficiency programs and divestment of plants
- ▶ Regional split of Headcount reduction includes
 - Europe: ca. -2,900
 - Americas: ca. -900
 - Greater China: ca. -800
 - Asia/Pacific: ca. -50
- ▶ In addition, other levers to reduce personnel costs and increase flexibility, e.g. short-time work and the adjustment of 40-hour contracts to 35-hours were implemented
- ▶ Additional voluntary severance scheme introduced in November 2019

Voluntary severance scheme cash out effect of EUR ~90 mn is fully reflected in our 2020 FCF Guidance

¹ Full time equivalents

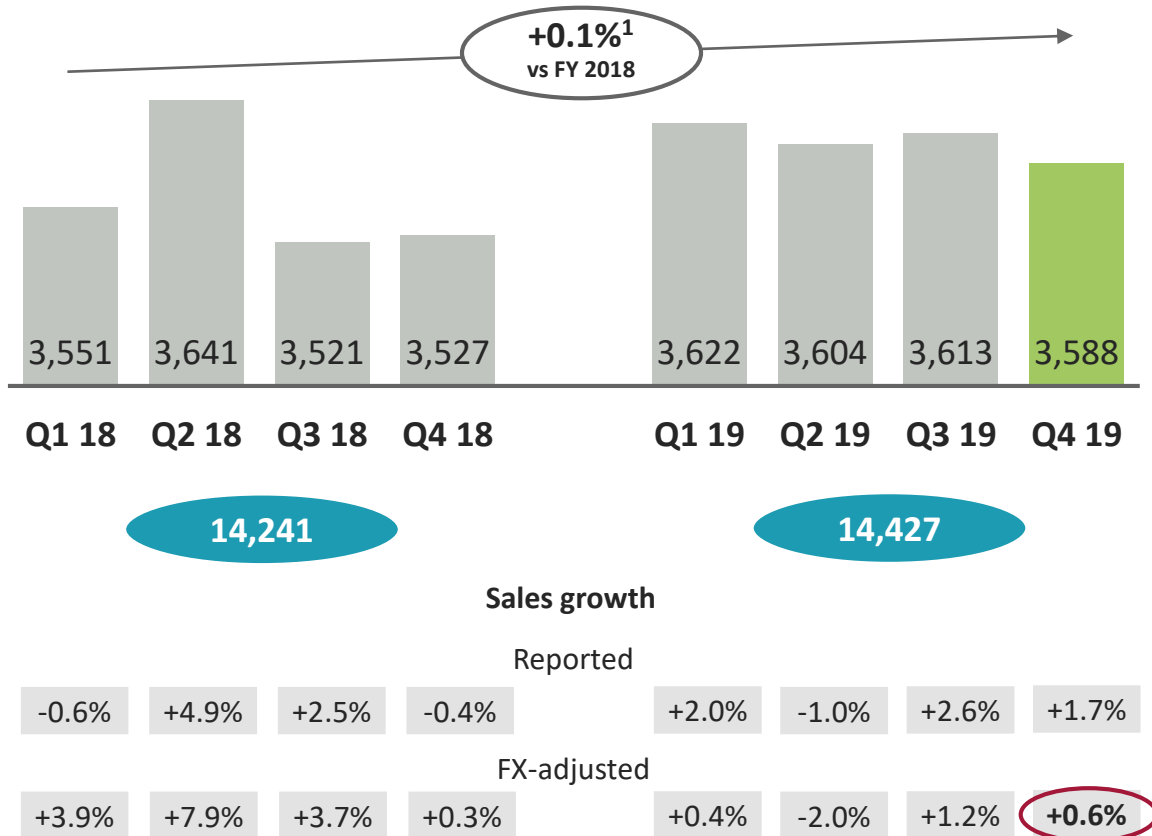
Key figures Q4 and FY 2019

in EUR mn		Q4 2018	Q4 2019	Q4 2019 vs. Q4 2018	FY 2018	FY 2019	FY 2019 vs. FY 2018
Sales	1	3,527	3,588	+1.7% +0.6% ¹	14,241	14,427	+1.3% +0.1% ¹
Gross Profit	2	816	844	+28 mn	3,683	3,574	-109 mn
Gross Margin		23.1%	23.5%	+0.4pp	25.9%	24.8%	-1.1pp
EBIT²	3	231	279	+48 mn	1,381	1,161	-220 mn
EBIT Margin²		6.5%	7.8%	+1.3pp	9.7%	8.1%	-1.6pp
Net income³	4	119	-56	-175 mn	881	428	-453 mn
EPS⁴ (in EUR)		0.18	-0.08	-0.26	1.33	0.65	-0.68
Schaeffler Value Added⁵	4	557	284	-273 mn	557	284	-273 mn
ROCE⁶		16.7%	13.2%	-3.5pp	16.7%	13.2%	-3.5pp
Free Cash Flow⁷	5	257	340	+83 mn	384	473	+89 mn
Capex	6	376	222	-154 mn	1,232	1,045	-187 mn
Net financial debt	7	2,547	2,526	-21 mn	2,547	2,526	-21 mn
Gearing ratio⁸		83.2%	86.6%	+3.4pp	83.2%	86.6%	+3.4pp
Headcount		92,478	87,748	-5.1%	92,478	87,748	-5.1%

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 LTM 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 – Strong sales development in Greater China, weak sales in Europe

Sales | in EUR mn



¹ FX-adjusted

Key aspects Q4

- Europe: negative sales development of both Automotive OEM (-8.6%¹) and Industrial (-9.8%¹) continued in Q4
- China: strong sales development in Automotive OEM +24.6%¹ (mainly ramp-ups) and Industrial +31.3%¹ (mainly sector cluster Wind)
- Americas: stable growth pattern on the back of ongoing good growth in Automotive OEM (+3.7%¹)

Sales by region Q4 2019

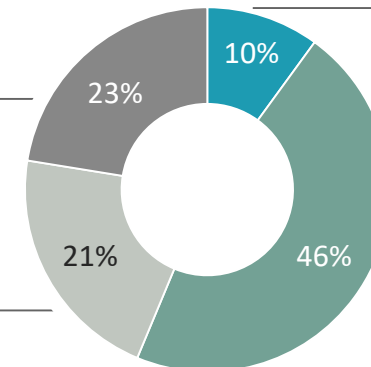
yoy growth¹

Greater China **+25.3%**

Americas **+2.7%**

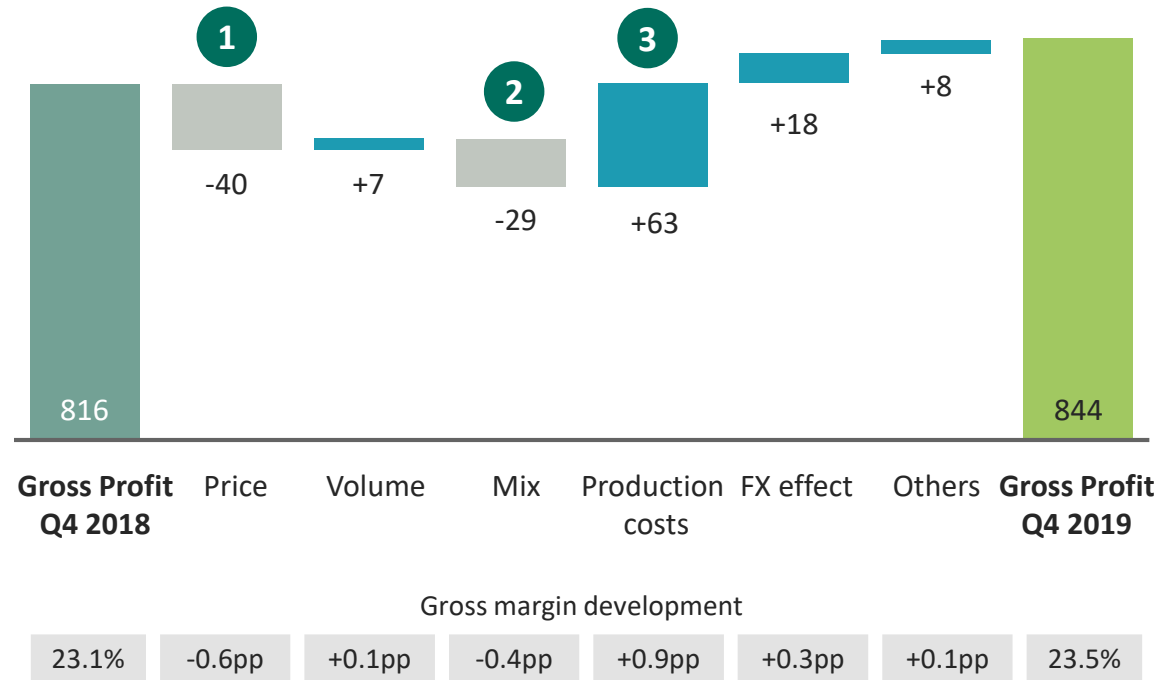
-6.2% Asia/Pacific

-7.5% Europe



2 Gross Profit – Negative price and mix effect fully offset by lower production costs

Gross Profit Q4 2018 vs. Q4 2019 | in EUR mn



Key aspects Q4

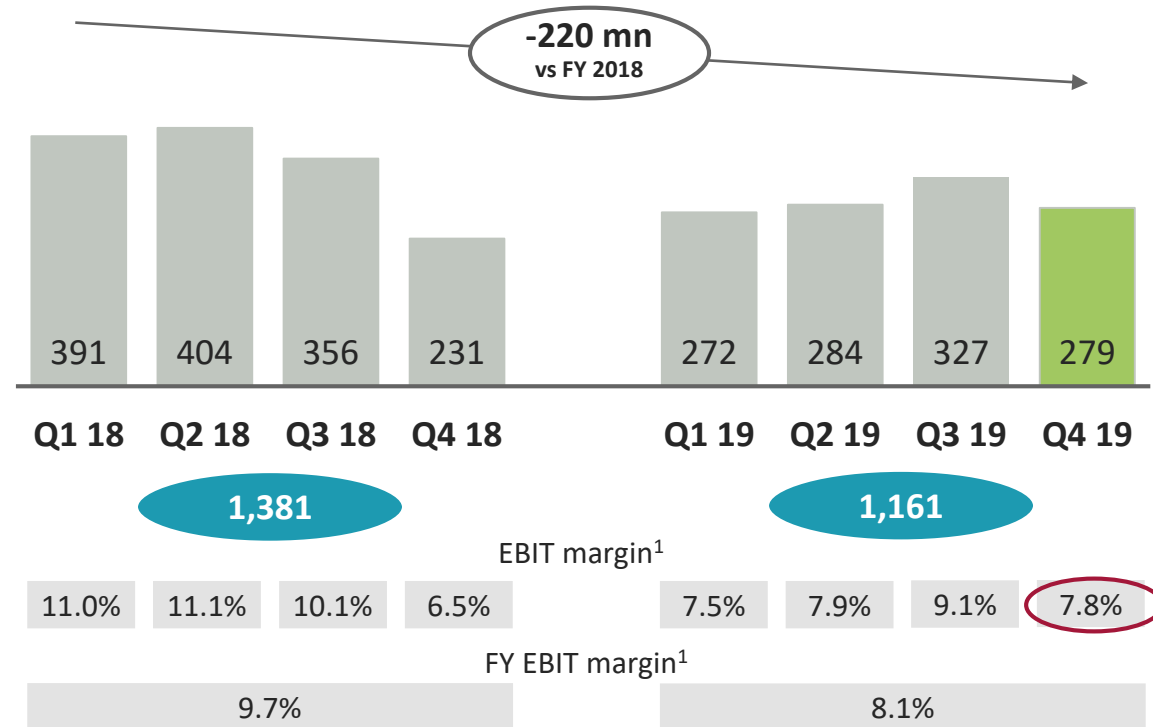
- 1 Yoy price reduction in Auto OEM – Finalization of ongoing price negotiations until year-end
- 2 Negative mix effect mainly driven by ramp-ups (e.g. E-Axles in Europe)
- 3 Lower production costs in Auto OEM due to consequent flexing of costs, productivity improvements and low base effect from Q4 18

Gross Margin

in % of sales	Q4 18	Q4 19	Q4 19 vs. Q4 18	FY 18	FY 19	FY 19 vs. FY 18
Auto OEM	18.6%	19.9%	+1.3pp	22.3%	20.6%	-1.7pp
Aftermarket	35.1%	34.5%	-0.6pp	35.5%	34.1%	-1.4pp
Industrial	28.7%	27.3%	-1.4pp	29.9%	30.4%	+0.5pp
Group	23.1%	23.5%	+0.4pp	25.9%	24.8%	-1.1pp

3 EBIT margin¹ – Improvement in Automotive divisions on a low base, stable in Industrial

EBIT¹ | in EUR mn



¹ Before special items

Key aspects Q4

- ▶ Automotive OEM EBIT margin with clear improvement yoy, driven by strong growth in China as well as flexing of costs in plants
- ▶ Automotive Aftermarket EBIT margin improved yoy on stabilization of volumes and better cost control through program GRIP
- ▶ Industrial EBIT margin stable yoy, despite negative growth in cyclical sectors and one time warranty cases

EBIT margin¹

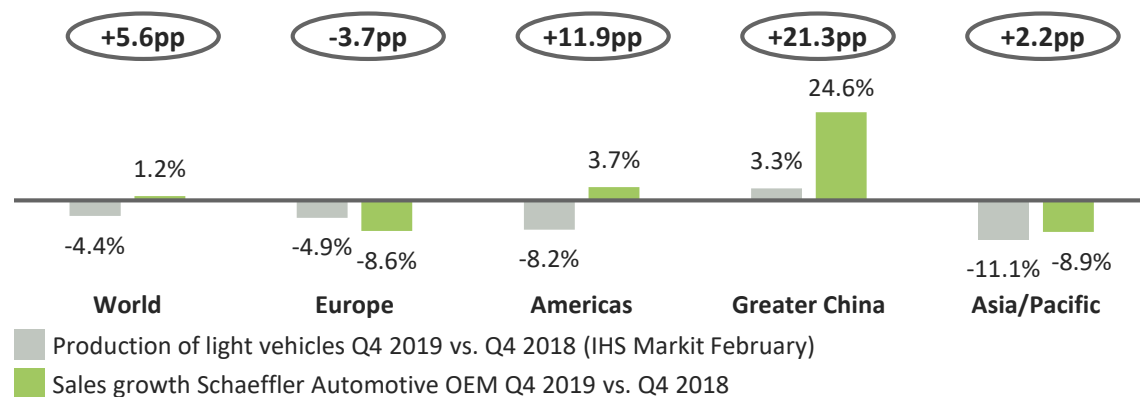
	Q4 18	Q4 19	Q4 19 vs. Q4 18	FY 18	FY 19	FY 19 vs. FY 18
Auto OEM	3.6%	5.3%	+1.7pp	7.5%	5.4%	-2.1pp
Aftermarket	15.9%	16.9%	+1.0pp	18.2%	16.1%	-2.1pp
Industrial	9.1%	9.4%	+0.3pp	10.9%	10.5%	-0.4pp
Group	6.5%	7.8%	+1.3pp	9.7%	8.1%	-1.6pp

Automotive OEM – Strong outperformance in Q4, EBIT margin yoy improved

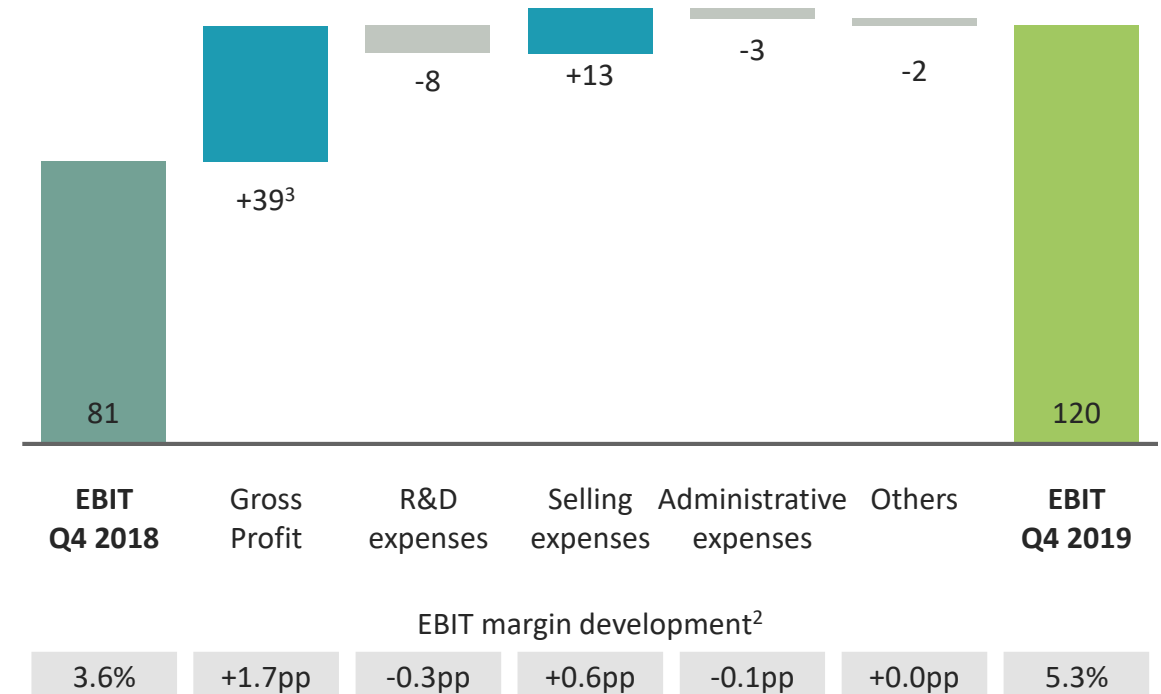
Sales by business division | yoy growth

	Q4 2018	Q4 2019	Δ^1
E-Mobility	138	182	+31.5%
Engine Systems	669	706	+4.3%
Transmission Systems	1,020	999	-3.5%
Chassis Systems	390	383	-2.5%
Total	2,218	2,270	+1.2%

Outperformance: Sales¹ vs. market development in Q4



EBIT² Q4 2018 vs. Q4 2019 | in EUR mn



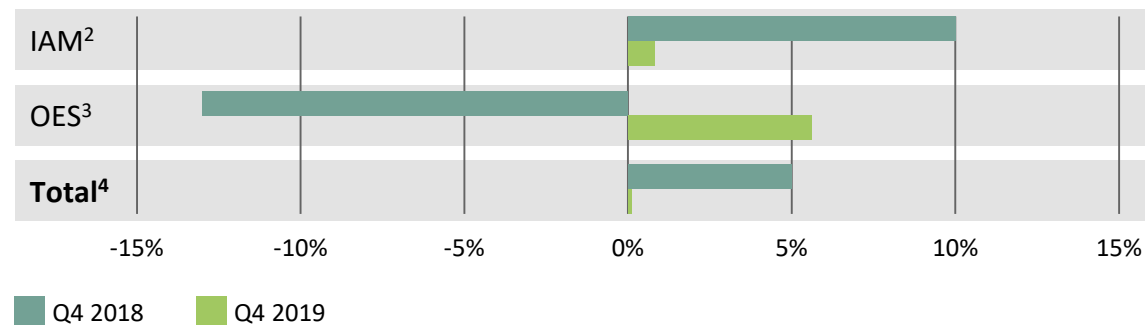
¹ FX-adjusted | ² Before special items | ³ Includes positive FX effects of EUR 9 mn

Automotive Aftermarket – Improved earnings quality in a flat market environment

Sales by region | yoy growth

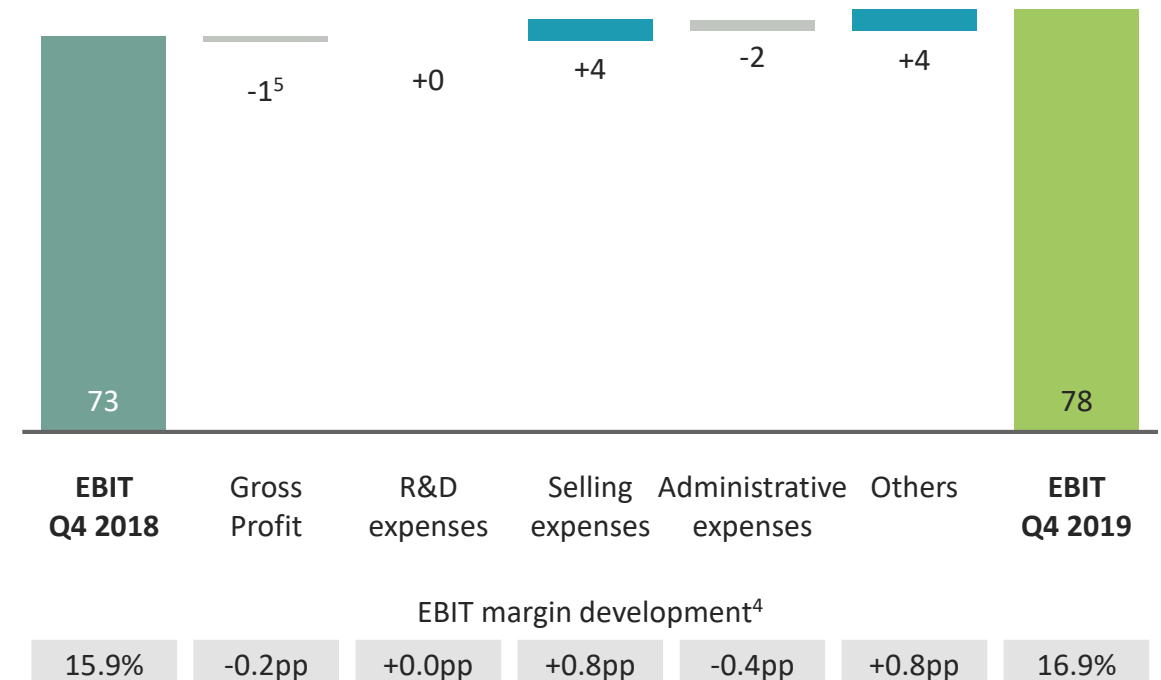
	Q4 2018	Q4 2019	Δ^1
Europe	340	339	-1.1%
Americas	89	93	+5.2%
Greater China	18	18	-3.7%
Asia/Pacific	12	13	+6.4%
Total	459	463	+0.1%

Automotive Aftermarket sales growth by channel¹



¹ FX-adjusted | ² Independent Aftermarket | ³ Original Equipment Service | ⁴ Contains sales to Automotive suppliers in addition to IAM and OES

EBIT⁴ Q4 2018 vs. Q4 2019 | in EUR mn



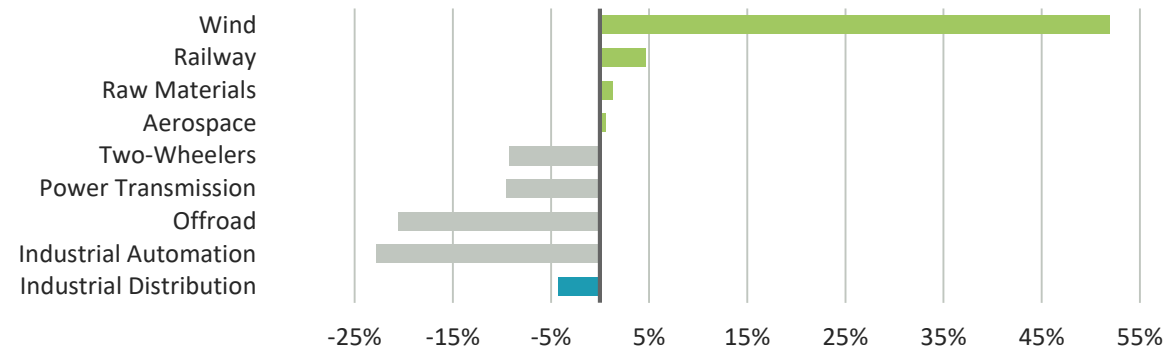
⁴ Before special items | ⁵ Includes positive FX effect of EUR 2 mn

Industrial – Good earnings quality in a overall weak market environment

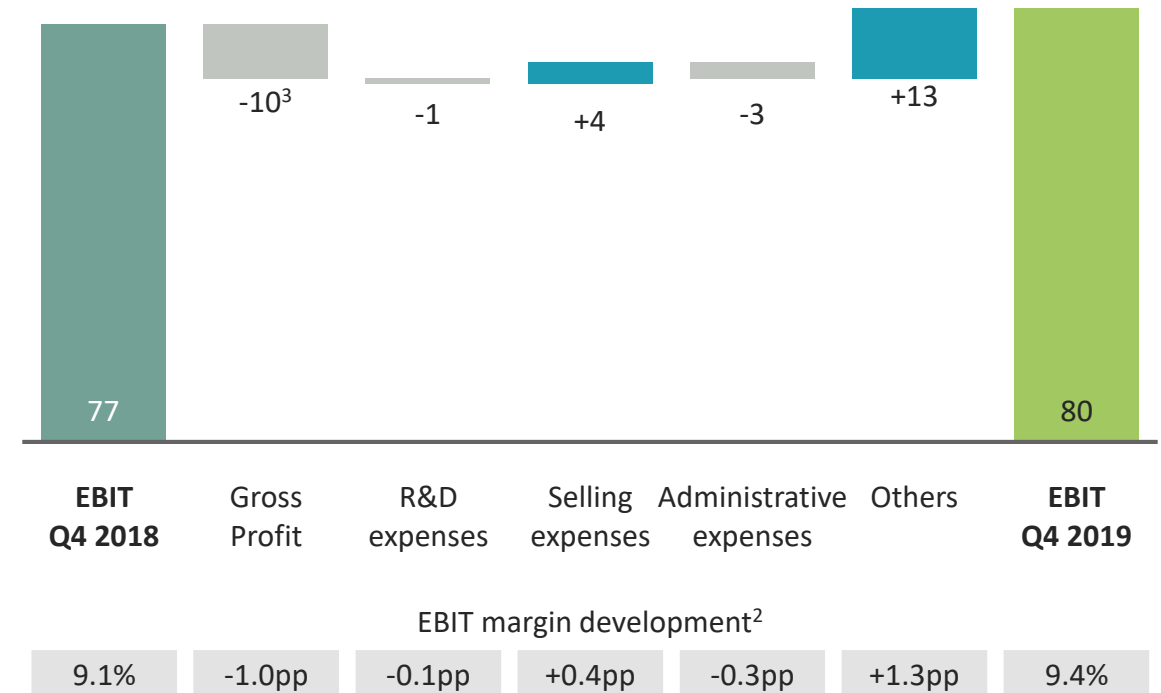
Sales by region | yoy growth

	Q4 2018	Q4 2019	Δ^1
Europe	480	437	-9.8%
Americas	156	157	-1.6%
Greater China	139	184	+31.3%
Asia/Pacific	75	78	+2.3%
Total	850	855	-0.6%

Industrial sales growth by sector cluster Q4 2019¹



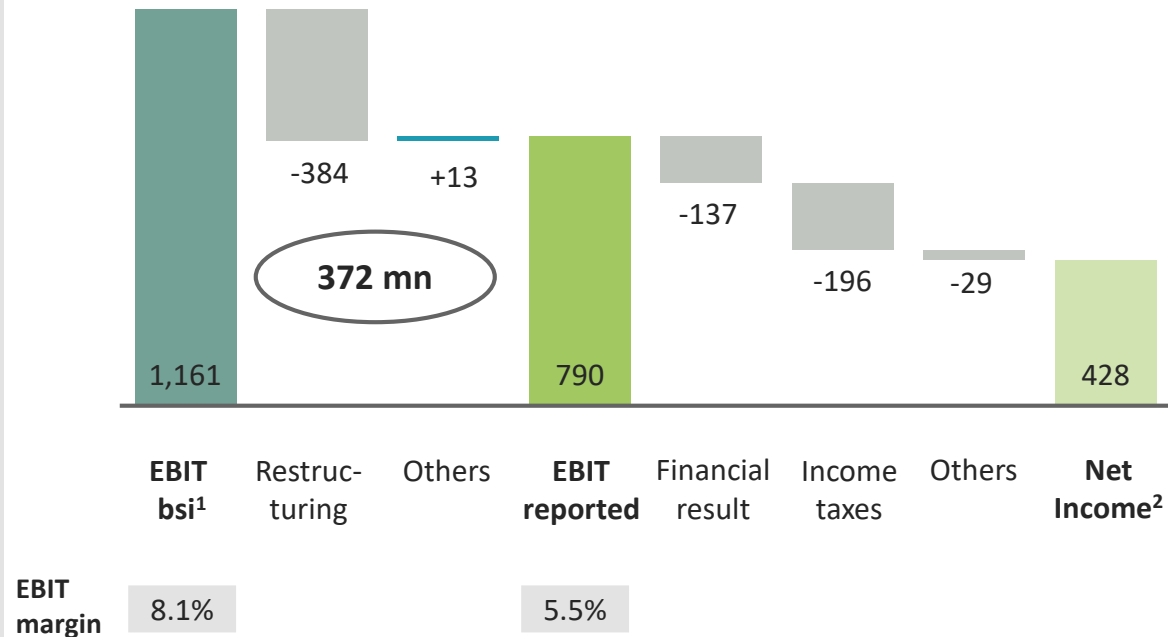
EBIT² Q4 2018 vs. Q4 2019 | in EUR mn



¹ FX-adjusted | ² Before special items | ³ Includes positive FX effects of EUR 7 mn

3 EBIT before special items – Reconciliation FY 2019

Reconciliation FY 2019 | in EUR mn



¹ Before special items | ² Attributable to the shareholders of the parent company

Key aspects

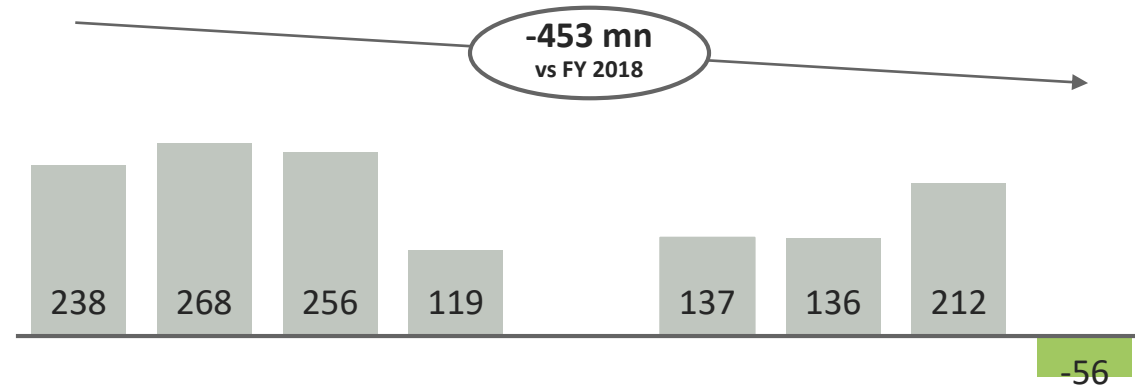
- ▶ Restructuring includes EUR 204 mn for Program RACE, EUR 137 mn for Program FIT and EUR 15 mn for Program GRIP
- ▶ Divisional programs include provisions for additional voluntary severance scheme introduced in November 2019

Special items by division | in EUR mn

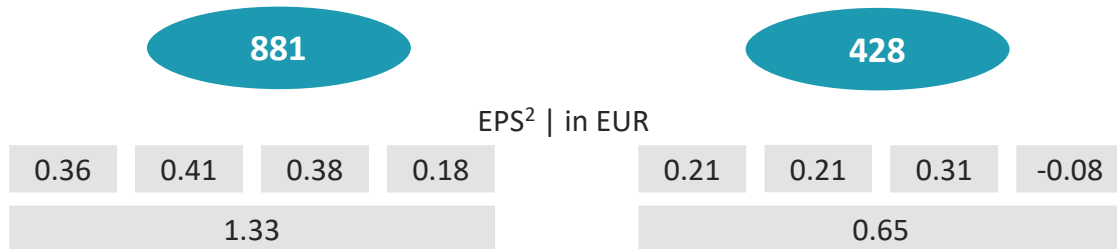
in EUR m	Q1 18	H1 18	9M 18	FY 18	Q1 19	H1 19	9M 19	FY 19
EBIT Reported	391	773	1,149	1,354	230	483	795	790
Auto OEM	-	10	-3	11	55	73	87	209
Aftermarket	-	-	-3	-3	-	-	-	15
Industrial	-	12	7	19	-13	0	0	147
Group	-	22	1	27	42	73	88	372
EBIT bsi¹	391	794	1,150	1,381	272	556	883	1,161

4 Net income¹ FY 2019 EUR 428 mn – EPS FY 2019 at EUR 0.65 (PY: EUR 1.33)

Net income¹ | in EUR mn



Q1 18 Q2 18 Q3 18 Q4 18 Q1 19 Q2 19 Q3 19 Q4 19

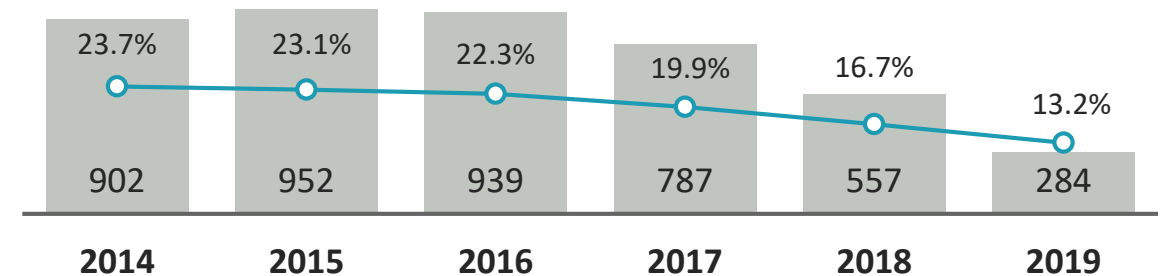


¹ Attributable to the shareholders of the parent company | ² Earnings per common non-voting share

Key aspects

- ▶ Reported Net Income negative in Q4 with EUR -56 mn due to EUR 284 mn special items
- ▶ Decrease driven by lower EBIT and higher tax rate caused by higher non-deductible expenses
- ▶ EPS decreased to EUR 0.65 (FY 18: EUR 1.33)

Schaeffler Value Added³ | in EUR mn

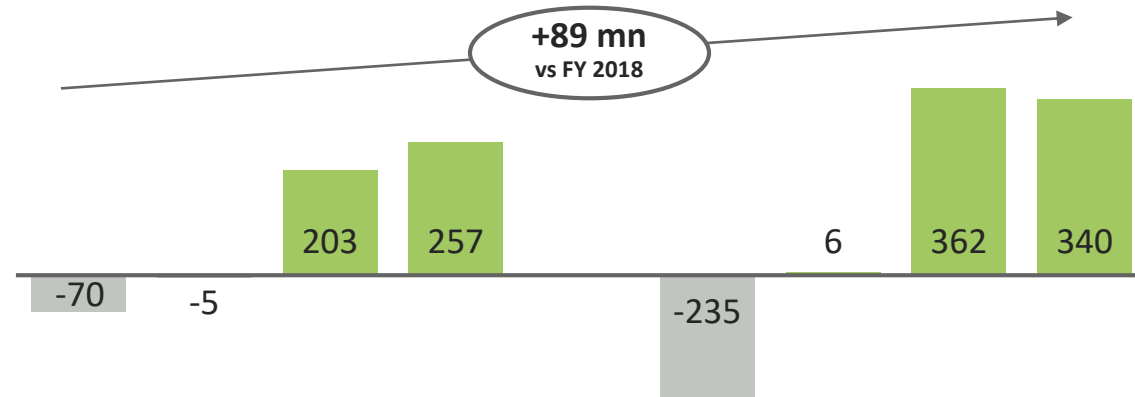


—○— ROCE before special items

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

5 Free Cash Flow before M&A¹ FY at EUR 473 mn (PY: EUR 384 mn)

Free Cash Flow before M&A¹ | in EUR mn



Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
FCF as reported							
-71	-5	203	96	-300	10	322	341
FCF Conversion ratio ²							
24%	22%	17%	17%	10%	11%	19%	22%
Capex ratio ³							
8.6%	7.9%	7.4%	10.6%	10.3%	6.1%	6.3%	6.2%

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

Key aspects

- ▶ Strong FCF development in Q4 was again supported by strict Capex discipline and further inventory optimization
- ▶ FY 19 FCF¹ reached EUR 473 mn (PY: EUR 384 mn)

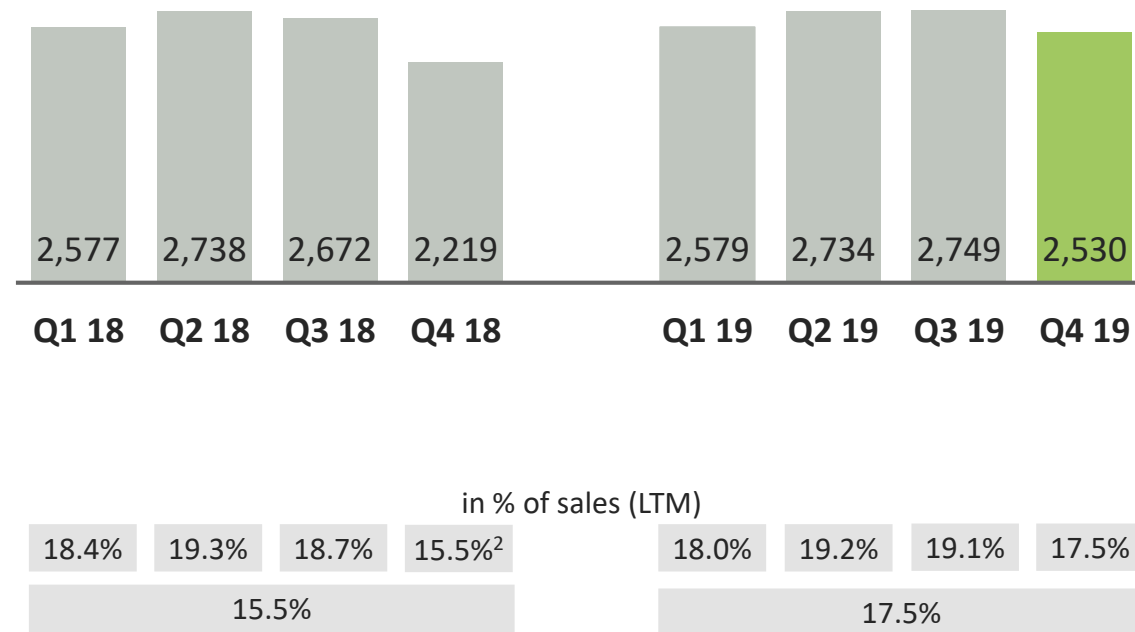
FCF Details | in EUR mn

	Q4 2018	Q4 2019	Δ Q4 18/19	FY 2018	FY 2019	Δ FY 18/19
FCF as reported	96	341	245	222	372	150
M&A	161	(1)	(162)	162	101	(61)
FCF before M&A	257	340	83	384	473	89
Non recurring items ⁴	17	35	18	122	97	(25)
Investments ⁵	50	27	(23)	83	79	(4)
Receivable Sale Program	(3)	(1)	2	(50)	0	50
	321	402	81	539	649	110

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 17.5% – Capex ratio 6.2% in Q4

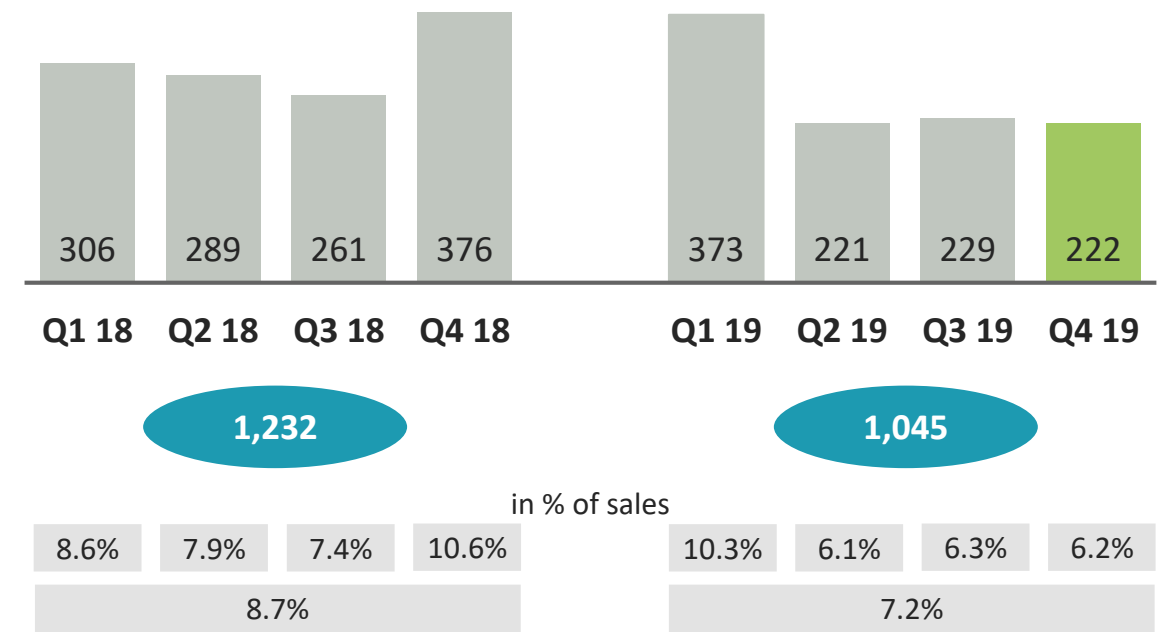
Working capital¹ | in EUR mn



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

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

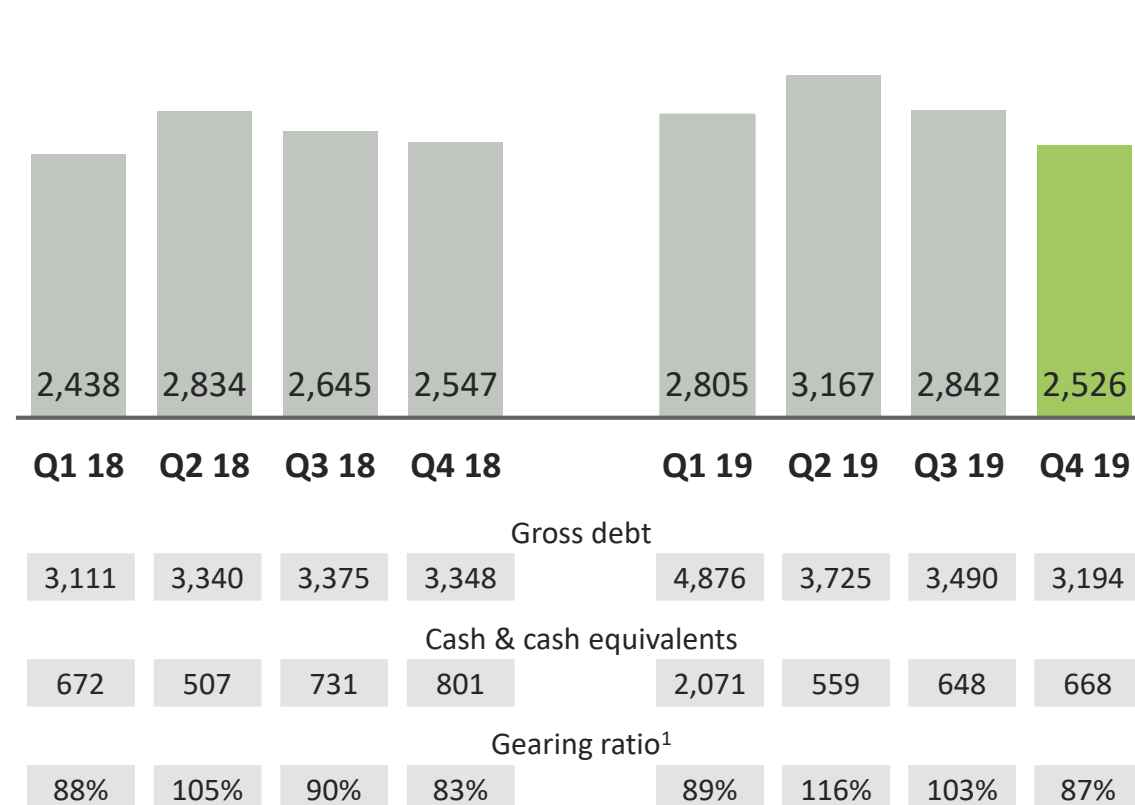
Capex³ | in EUR mn



³ Cash view

7 Net debt of EUR 2,526 mn – Gearing ratio¹ at 87%

Net financial debt and Gearing ratio | in EUR mn

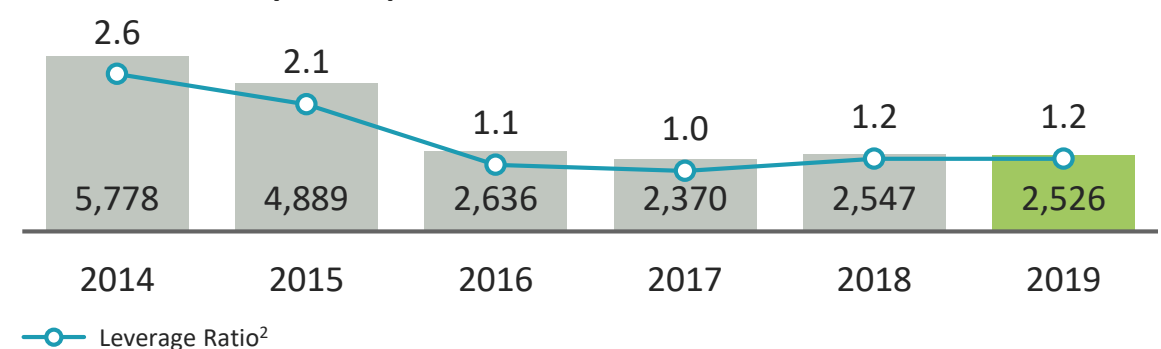


¹ Gearing ratio: Ratio of net financial debt to equity incl. non-controlling interests in %

Key aspects

- Gross debt sequentially reduced in the course of the year, in Q4 full repayment of Term Loan with EUR 500 mn
- Net leverage ratio² at 1.2x (vs. 1.2x at FY 19)
- Gearing Ratio at 87%

Net debt development | in EUR mn

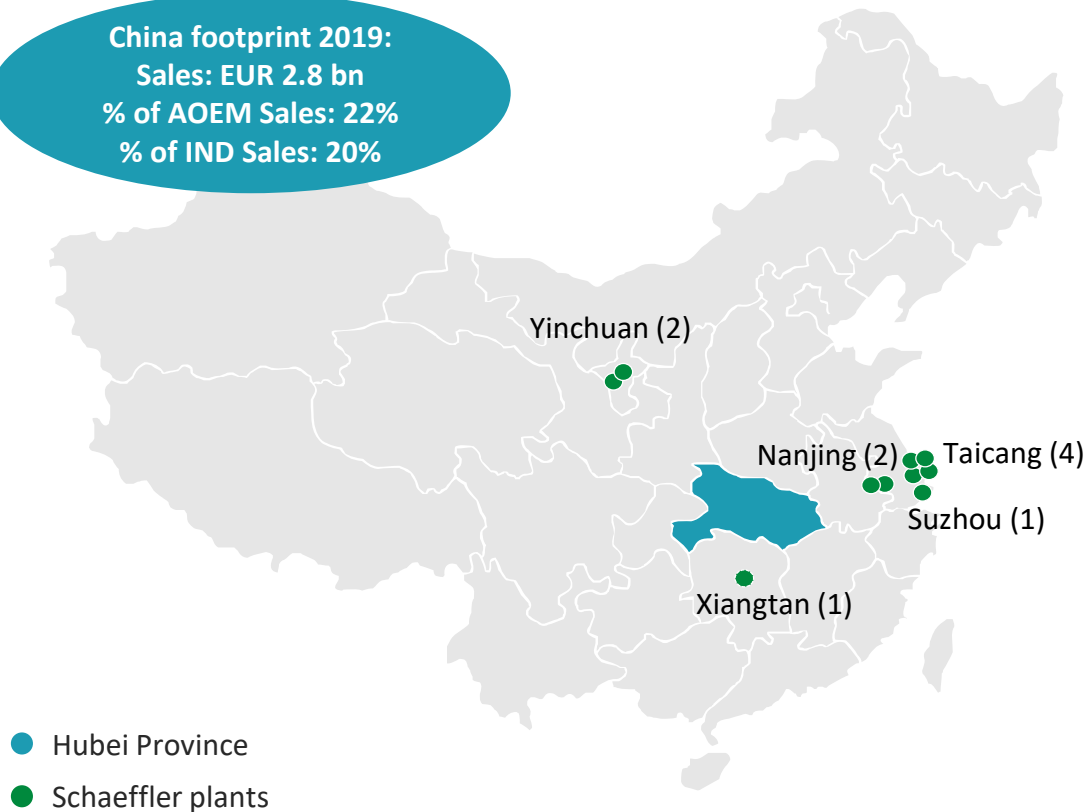


² Leverage Ratio: Net financial debt to EBITDA ratio before special items

COVID-19 – Operations showing strong resilience

China Footprint

China footprint 2019:
Sales: EUR 2.8 bn
% of AOEM Sales: 22%
% of IND Sales: 20%



Current evaluation Greater China

- ▶ Health protection measures for Schaeffler employees initiated in Greater China at an early stage, no Schaeffler employee infected
- ▶ Schaeffler operates 10 plants in 5 different locations in China with around 12,000 employees, no plants in the Hubei Province
All our plants in China have resumed operations starting February 17th, currently operating at a capacity level of around 80%
- ▶ 90% of our suppliers at low or no risk, safeguarding supply chain despite affected suppliers and transportation ban, shift from ship to rail to ensure prompt deliveries - no supply chain disruptions
- ▶ EUR ~60 mn sales reduction in Greater China in the month of February, now focus on ensuring safe ramp-ups after temporary shut-downs

Current evaluation in other Regions

- ▶ Health protection measures for employees implemented swiftly and at fast pace, one Schaeffler employee infected in Germany
- ▶ Full focus on business continuity and risk management, no impact so far on capacity, supply chain secured

Cautious Guidance 2020 – Foreseeable negative implications by COVID-19 taken into account

Group Guidance

	Actuals FY 2019 ⁴	Guidance FY 2020
Sales growth¹	+0.1%	-2 - 0%
EBIT margin²	8.1%	6.5 - 7.5%
Free Cash Flow³	EUR 473 mn	EUR 300 - 400 mn

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

⁴ Adjusted comparative figures, see backup slide 34

Divisional Guidance

Automotive OEM		Automotive Aftermarket		Industrial	
Actuals FY 2019 ⁴	Guidance FY 2020	Actuals FY 2019 ⁴	Guidance FY 2020	Actuals FY 2019 ⁴	Guidance FY 2020
-0.8%	-2 - 0%	-1.1%	0 - 2%	+3.1%	-2 - 0%
5.5%	4.5 - 5.5%	16.5%	13 - 14%	10.2%	9.5 - 10.5%

Market assumptions 2020

- ▶ Automotive OEM: Decrease of global passenger car production of around **-3% to -5%**
- ▶ Industrial: Growth of industrial production of **less than 1%**

**More cautious guidance due to COVID-19.
We strive at delivering at the mid-point of margin guidance
range for Group and Divisions**

Conclusion & Outlook – Guidance 2019 achieved, preparedness and discipline crucial in 2020

- 1 Automotive OEM with strong outperformance in Americas and Greater China – Margin still subdued, but better flexing of costs in plants secured margin floor
- 2 Automotive Aftermarket with improved earnings quality in H2 driven by program GRIP – EBIT margin in FY 2020 expected to be lower due to opening of AKO¹
- 3 Industrial with solid earnings quality in a more negative environment for all cyclical sectors – Clear focus on margin resilience
- 4 Strong FCF underlines increased focus on Capex and inventory management – FCF 2020 guidance already includes cash outs from voluntary severance scheme
- 5 Dividend proposal EUR 45 cent² – Cautious FY 2020 guidance reflects the ongoing volatile market environment, and foreseeable impacts of COVID-19



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

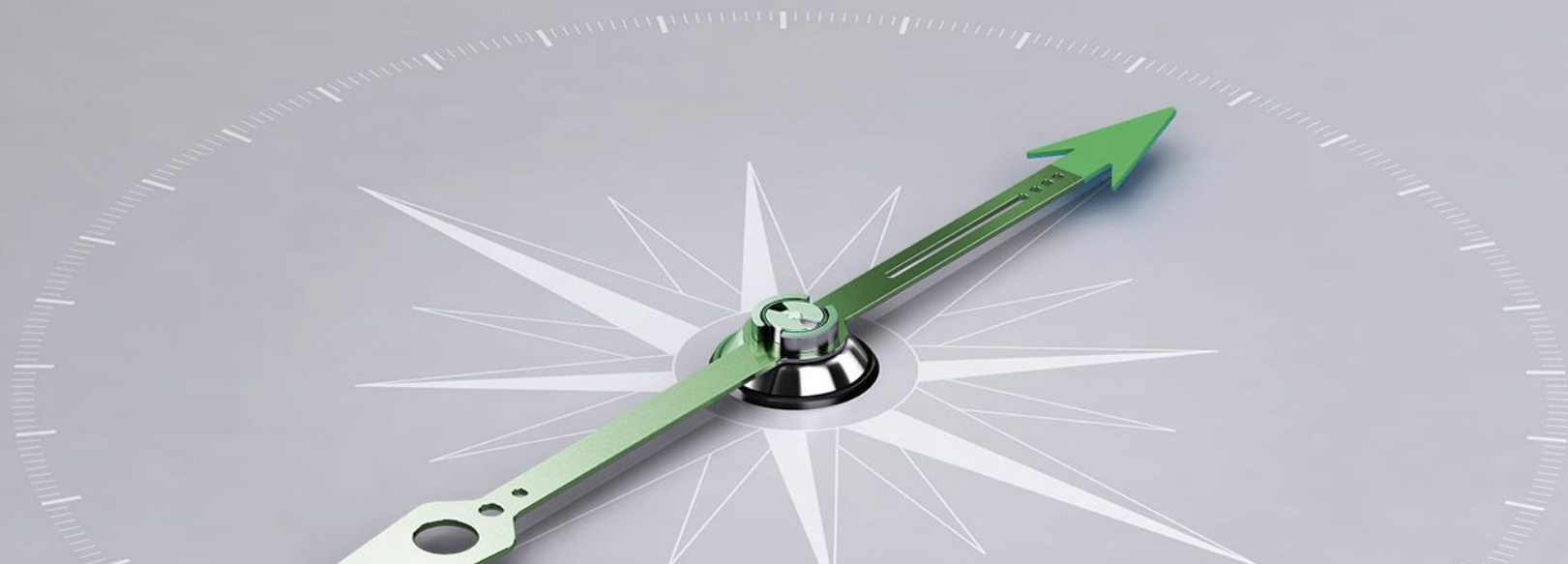
¹ Aftermarket Kitting Operation | ² Proposed dividend per common non-voting share

Financial calendar 2020 – Strategy CMD on March 24th 2020 in Herzogenaurach and online**Roadshows / Conferences**

Mar 30 th	Frankfurt, Digital Roadshow
▼	
Mar 31 st / Apr 1 st	London, Digital Roadshow
▼	
Apr 2 nd	New York, Digital Roadshow

Regular capital market communication

Mar 10 th	FY 2019 Earnings Release
▼	
Mar 24 th	Strategy CMD 2020 with Webcast live streaming, Herzogenaurach
▼	
May 6 th	Q1 2020 Earnings Release
▼	
Aug 4 th	H1 2020 Earnings Release
▼	
Nov 10 th	9M 2020 Earnings Release



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Backup

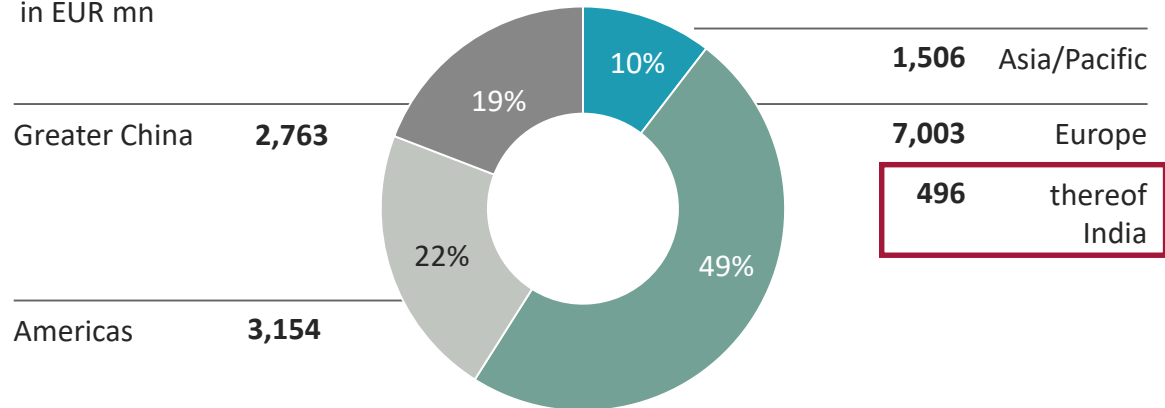
(For updating your models please refer to pages 33 to 37)

Regional reorganization – India to become part of our Asia/Pacific region with FY 2020 (before: Europe region)

Until FY 2019 – India was part of our Europe region

Sales by region FY 2019

in EUR mn



	FY 19	In % of Group Sales
Europe	7,003	48.5%
<i>thereof India</i>	496	3.4%
Asia/Pacific	1,506	10.4%
....
Group	14,427	100%

From FY 2020 – India is now part of our Asia/Pacific region

- ▶ India is now part of our Asia/Pacific region starting from Jan 1, 2020
- ▶ Better geographic and cultural fit – Improves alignment with operations of customers
- ▶ Opens up new end market synergies, e.g. for sectors Two Wheelers, Trucks and Buses, Railway, Raw Materials and Wind
- ▶ Schaeffler with 4 plants and 2 R&D centers in India – Footprint in region Asia/Pacific strengthened
- ▶ Regional outperformance in Automotive OEM is calculated according to the new regional split for all quarters 2019, see page 35

Reported and adjusted comparative figures FY 2019 – Adjustments on divisional level

FY 19 – Reported and adjusted comparative figures

Group	FY 19 – Reported	FY 19 – Adjusted comp. figures	Δ
Sales Growth ¹	+0.1%	+0.1%	-
EBIT Margin ²	8.1%	8.1%	-
Free Cash Flow ³	473 mn	473 mn	-
Auto OEM			Δ
Sales Growth ¹	-0.8%	-0.8%	-
EBIT Margin ²	5.4%	5.5%	+0.1pp
Aftermarket			Δ
Sales Growth ¹	-1.1%	-1.1%	-
EBIT Margin ²	16.1%	16.5%	+0.4pp
Industrial			Δ
Sales Growth ¹	+3.1%	+3.1%	-
EBIT Margin ²	10.5%	10.2%	-0.3pp

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

Key aspects

- ▶ Strengthening of divisional management accountability
- ▶ Direct assignment of costs increased, in line with our target of stronger steering of our business by the divisions
- ▶ Former centrally steered functions, e.g. logistic hubs, were transferred to the divisions

FY 2019 adjusted comparative figures build the basis for our FY 2020 guidance

Automotive OEM outperformance by quarters

FY 19 Outperformance: +4.8pp				Q1 19			Q2 19			Q3 19			New regional structure Q4 19		
	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	-5.8%	-1.7%	+4.1pp		-8.2%	-4.2%	+4.0pp		-3.9%	+1.4%	+5.3pp		-4.4%	+1.2%	+5.6pp
Europe	-6.8%	-3.2%	+3.6pp		-8.4%	-6.7%	+1.7pp		-0.7%	-4.1%	-3.4pp		-4.3%	-8.3%	-4.0pp
Americas	-3.5%	+12.4%	+15.9pp		-2.3%	+4.7%	+7.0pp		-1.4%	+8.7%	+10.1pp		-8.2%	+3.8%	+12.0pp
Greater China	-11.3%	-14.5%	-3.2pp		-18.7%	-10.7%	+8.0pp		-7.5%	+7.1%	+14.6pp		+3.3%	+24.6%	+21.3pp
Asia/Pacific	-0.4%	+1.2%	+1.6pp		-0.9%	-0.8%	+0.1pp		-4.9%	-2.1%	+2.8pp		-10.5%	-9.7%	+0.8pp

FY 18 Outperformance: +3.1pp				Q1 18			Q2 18			Q3 18			Old regional structure 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		-5.5%	-4.2%	+1.3pp
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
Americas	-1.4%	+3.7%	+5.1pp		-0.7%	+3.7%	+4.4pp		+1.9%	+9.9%	+8.0pp		+0.9%	+5.1%	+4.2pp
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	-0.4%	+0.5%	+0.9pp		-0.1%	+7.6%	+7.7pp		-2.7%	-0.7%	+2.0pp		+8.4%	+2.1%	-6.3pp

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

Key figures by Group and division – Reported figures 2019

Group | in EUR mn

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Sales	3,551	3,641	3,521	3,527	3,622	3,604	3,613	3,588
Sales Growth¹	+3.9%	+7.9%	+3.7%	+0.3%	+0.4%	-2.0%	+1.2%	+0.6%
EBIT Reported	391	382	376	204	230	253	312	-5
EBIT bsi	391	404	356	231	272	284	327	279
EBIT bsi margin	11.0%	11.1%	10.1%	6.5%	7.5%	7.9%	9.1%	7.8%

Automotive Aftermarket | in EUR mn

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Sales	447	480	476	459	441	465	480	463
Sales Growth¹	-4.4%	+12.3%	-3.0%	+5.0%	-1.1%	-3.6%	+0.1%	+0.1%
EBIT Reported	80	99	89	73	64	73	83	63
EBIT bsi	80	99	86	73	64	73	83	78
EBIT bsi margin	18.0%	20.6%	18.2%	15.9%	14.4%	15.7%	17.2%	16.9%

Automotive OEM | in EUR mn

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Sales	2,280	2,307	2,191	2,218	2,286	2,229	2,254	2,270
Sales Growth¹	+3.2%	+6.5%	+3.2%	-4.2%	-1.7%	-4.2%	+1.4%	+1.2%
EBIT Reported	218	197	180	66	59	85	140	-2
EBIT bsi	218	207	167	81	113	103	155	120
EBIT bsi margin	9.6%	9.0%	7.6%	3.6%	5.0%	4.6%	6.9%	5.3%

Industrial | in EUR mn

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Sales	824	855	854	850	895	911	879	855
Sales Growth¹	+10.8%	+9.3%	+9.4%	+11.0%	+6.9%	+5.0%	+1.2%	-0.6%
EBIT Reported	92	86	107	66	108	95	89	-67
EBIT bsi	92	98	102	77	95	108	89	80
EBIT bsi margin	11.2%	11.4%	12.0%	9.1%	10.6%	11.9%	10.2%	9.4%

¹ FX-adjusted

Key figures by Group and division – Adjusted comparative figures 2019

Group | in EUR mn

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Sales	3,551	3,641	3,521	3,527	3,622	3,604	3,613	3,588
Sales Growth¹	+3.9%	+7.9%	+3.7%	+0.3%	+0.4%	-2.0%	+1.2%	+0.6%
EBIT Reported	391	382	376	204	230	253	312	-5
EBIT bsi	391	404	356	231	272	284	327	279
EBIT bsi margin	11.0%	11.1%	10.1%	6.5%	7.5%	7.9%	9.1%	7.8%

Automotive OEM | in EUR mn

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Sales	2,280	2,307	2,191	2,218	2,285	2,232	2,254	2,272
Sales Growth¹	+3.2%	+6.5%	+3.2%	-4.2%	-1.7%	-4.2%	+1.4%	+1.2%
EBIT Reported	218	197	180	66	58	90	143	-5
EBIT bsi	218	207	167	81	113	108	158	117
EBIT bsi margin	9.6%	9.0%	7.6%	3.6%	4.9%	4.9%	7.0%	5.1%

¹ FX-adjustedAdjusted comparative
figures 2019

Automotive Aftermarket | in EUR mn

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Sales	447	480	476	459	443	461	482	462
Sales Growth¹	-4.4%	+12.3%	-3.0%	+5.0%	-1.1%	-3.6%	+0.1%	+0.1%
EBIT Reported	80	99	89	73	69	72	87	62
EBIT bsi	80	99	86	73	69	72	87	77
EBIT bsi margin	18.0%	20.6%	18.2%	15.9%	15.5%	15.6%	18.1%	16.7%

Industrial | in EUR mn

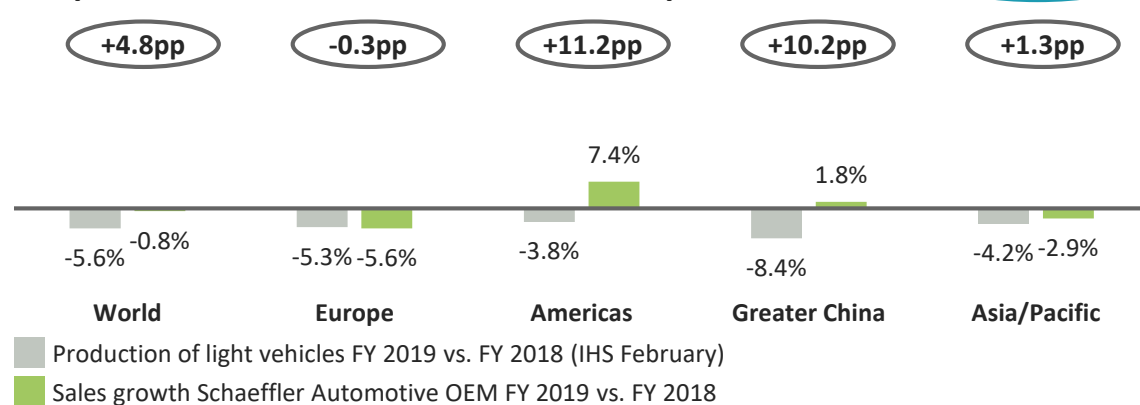
	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Sales	824	855	854	850	893	911	877	853
Sales Growth¹	+10.8%	+9.3%	+9.4%	+11.0%	+6.9%	+5.0%	+1.2%	-0.6%
EBIT Reported	92	86	107	66	103	91	83	-63
EBIT bsi	92	98	102	77	90	104	83	84
EBIT bsi margin	11.2%	11.4%	12.0%	9.1%	10.1%	11.4%	9.4%	9.9%

Automotive OEM – Strong outperformance in China and Americas, weaker development in Europe

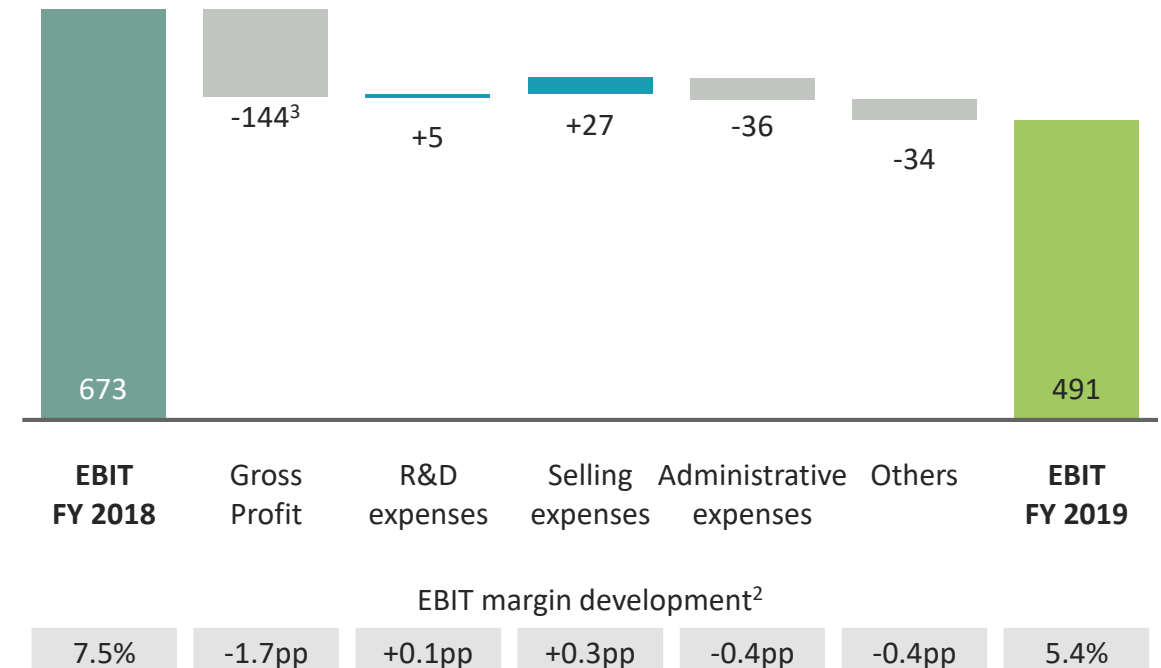
Sales by business division | yoy growth

	FY 2018	FY 2019	Δ^1
Engine Systems	2,782	2,793	-1.0%
Transmission Systems	4,167	4,006	-5.5%
E-Mobility	493	676	+36.7%
Chassis Systems	1,554	1,563	-0.3%
Total	8,996	9,038	-0.8%

Outperformance: Sales¹ vs. market development in FY



EBIT² FY 2018 vs. FY 2019 | in EUR mn



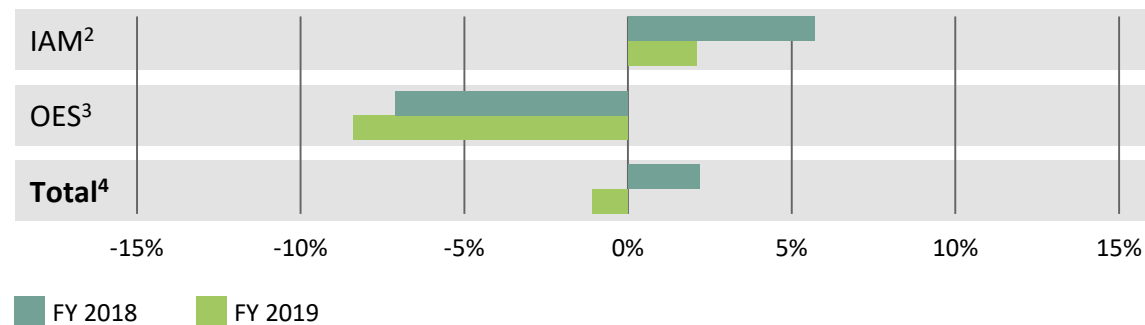
¹ FX-adjusted | ² Before special items | ³ Includes positive FX effects of EUR 52 mn

Automotive Aftermarket – IAM with good growth, OES with negative development

Sales by region | yoy growth

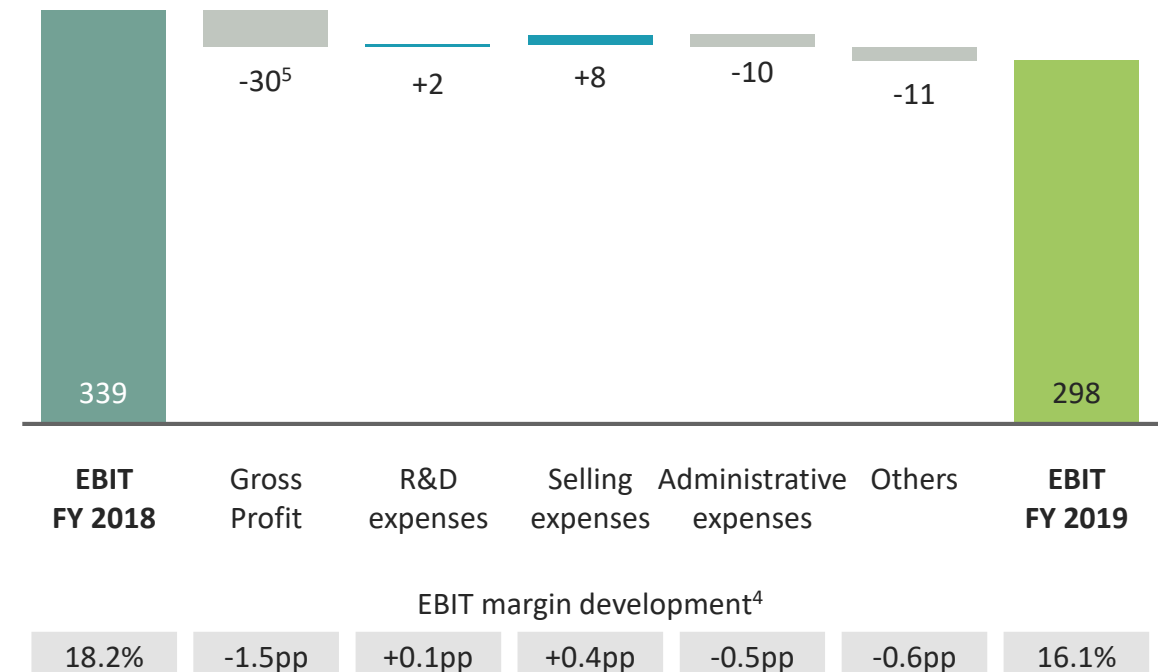
	FY 2018	FY 2019	Δ^1
Europe	1,395	1,355	-3.1%
Americas	339	362	+6.6%
Greater China	76	81	+5.7%
Asia/Pacific	51	50	-5.4%
Total	1,862	1,848	-1.1%

Automotive Aftermarket sales growth by channel¹



¹ FX-adjusted | ² Independent Aftermarket | ³ Original Equipment Service | ⁴ Contains sales to Automotive suppliers in addition to IAM and OES

EBIT⁴ FY 2018 vs. FY 2019 | in EUR mn



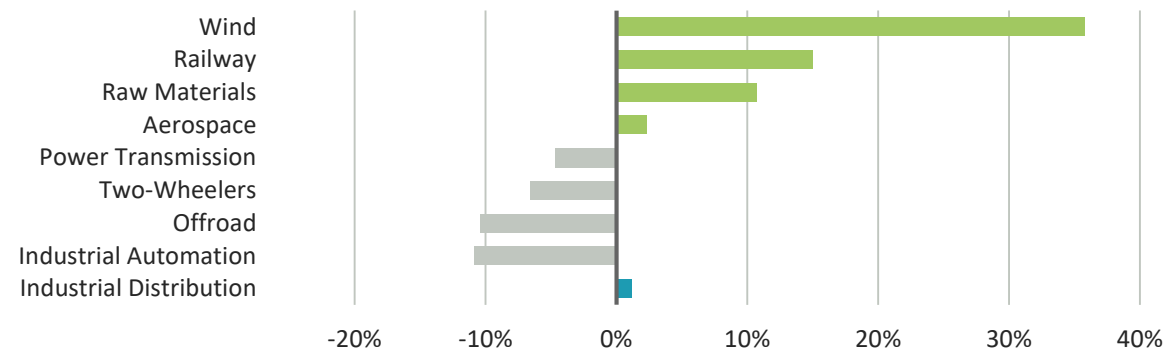
⁴ Before special items | ⁵ Includes positive FX effect of EUR 3 mn

Industrial – Strong growth in Greater China, weak H2 in Europe

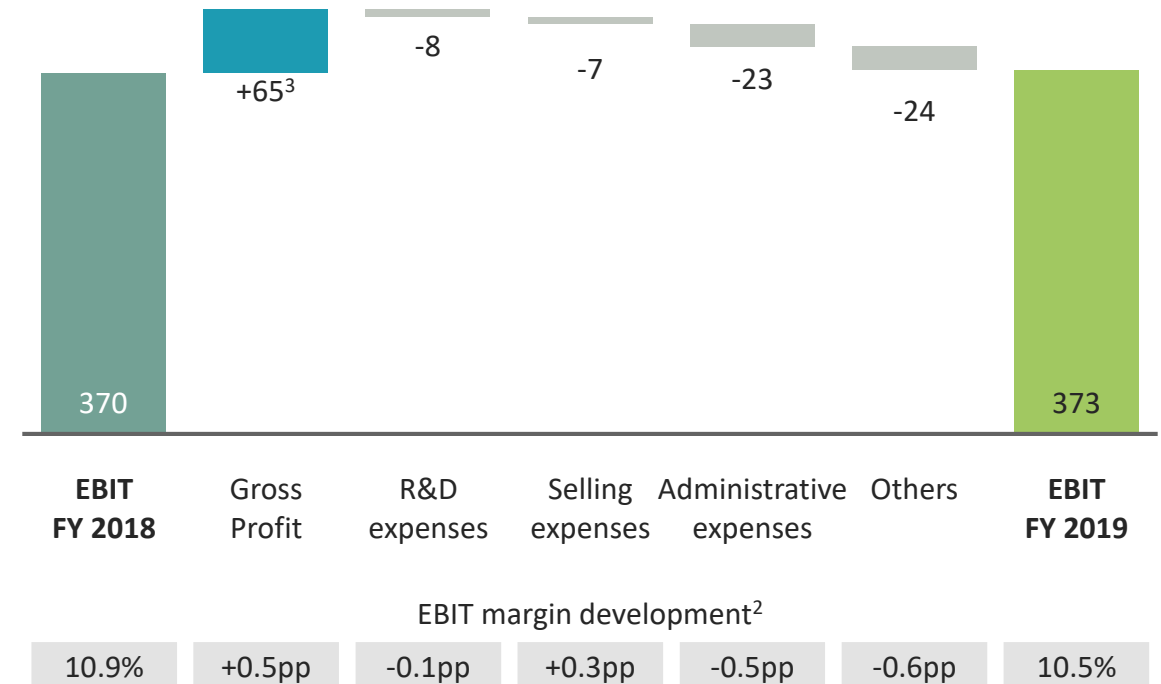
Sales by region | yoy growth

	FY 2018	FY 2019	Δ^1
Europe	1,904	1,867	-2.4%
Americas	596	638	+2.9%
Greater China	575	723	+23.4%
Asia/Pacific	308	314	-0.1%
Total	3,383	3,541	+3.1%

Industrial sales growth by sector cluster FY 2019¹



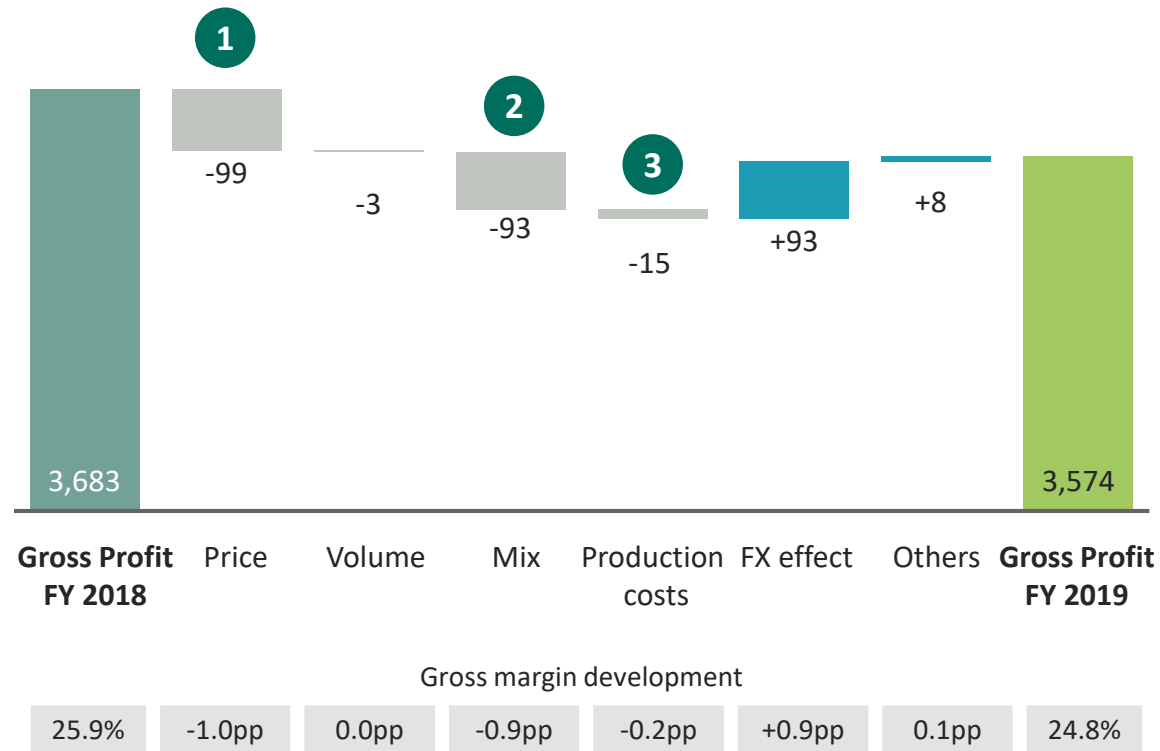
EBIT² FY 2018 vs. FY 2019 | in EUR mn



¹ FX-adjusted | ² Before special items | ³ Includes positive FX effects of EUR 38 mn

Gross Profit – Still subdued in Automotive divisions, although stabilized in H2

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



Key aspects FY

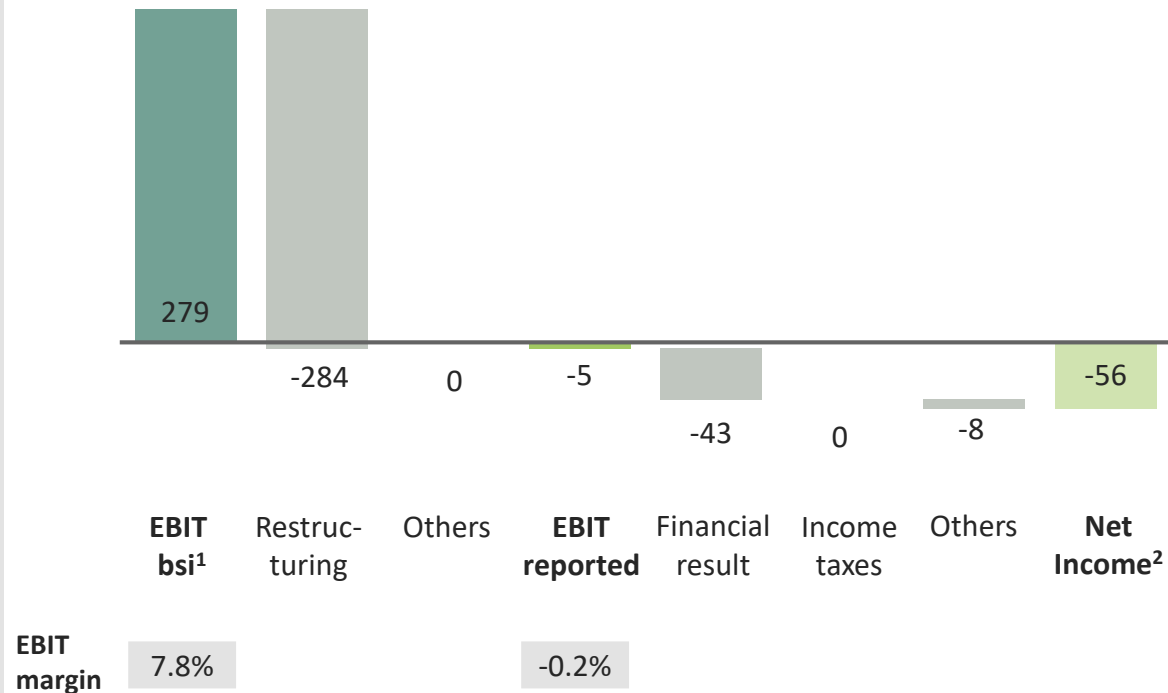
- 1 Yoy price reduction in Auto OEM – Still at lower rate than previous years, positive development in Industrial
- 2 Negative mix effect driven by Auto OEM and mainly related to ramp ups in system business (E-Mobility)
- 3 Negative production costs mainly driven by Industrial division, Auto OEM positive due to better flexing of costs in H2

Gross Margin

in % of sales	Q4 18	Q4 19	Q4 19 vs. Q4 18	FY 18	FY 19	FY 19 vs. FY 18
Auto OEM	18.6%	19.9%	+1.3pp	22.3%	20.6%	-1.7pp
Aftermarket	35.1%	34.5%	-0.6pp	35.5%	34.1%	-1.3pp
Industrial	28.7%	27.3%	-1.4pp	29.9%	30.4%	+0.5pp
Group	23.1%	23.5%	+0.4pp	25.9%	24.8%	-1.1pp

EBIT before special items – Reconciliation Q4 2019

Reconciliation Q4 2019 | in EUR mn



¹ Before special items | ² Attributable to the shareholders of the parent company

Key aspects Q4

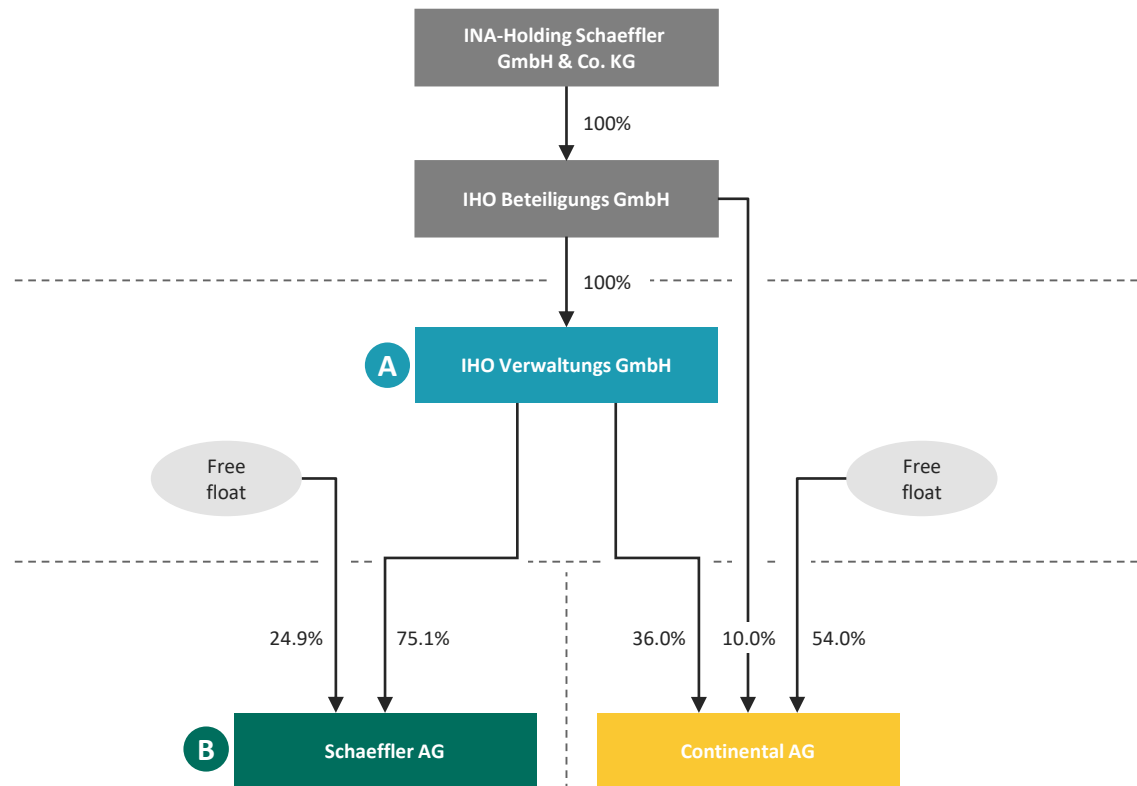
- ▶ Restructuring includes EUR 122 mn for Program RACE, EUR 137 mn for Program FIT and EUR 15 mn for Program GRIP
- ▶ Divisional programs include provisions for additional voluntary severance scheme introduced in November 2019

Special items by division | in EUR mn

in EUR m	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
EBIT Reported	391	382	376	204	230	253	312	-5
Auto OEM	-	10	-13	14	55	18	15	122
Aftermarket	-	-	-3	-	-	-	-	15
Industrial	-	12	-5	12	-13	13	-	147
Group	-	22	-21	26	42	31	15	284
EBIT bsi¹	391	404	356	231	272	284	327	279

Overview Corporate and Financing Structure

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



Financing structure | as of December 31, 2019

A IHO Verwaltungs GmbH

	Debt instrument	Nominal (USD m)	Nominal (EUR ¹ m)	Interest	Maturity	Rating (Fitch/Moody's/S&P)
Loans	Term loan (EUR)	-	600	E+2.75%	May-24	Not rated
	RCF (EUR 400 m)	-	-	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	445	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	401	6.00%	May-27	BB+/Ba1/BB+
	6.375% SSNs 2029 (USD)	400	356	6.375%	May-29	BB+/Ba1/BB+
Total IHO Verwaltungs GmbH			3,852	Ø 3.68% ^{2,3}		

B Schaeffler AG

	Debt instrument	Nominal (USD m)	Nominal (EUR ¹ m)	Interest	Maturity	Rating (Fitch/Moody's/S&P)
Loans	Term Loan (EUR) ⁵	-	-	E+0.80%	Sep-23	Not rated
	RCF (EUR 1,800 m)	-	-	E+0.50%	Sep-23	Not rated
	Investment Facility (EUR 250 m)	-	250	E+1.00%	Dec-22	Not rated
CP	Commercial Paper Program (EUR 1.0 b)	-	115	Ø -0,02%	Jan-20	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 ⁴	-	600	3.25%	May-25	BBB-/Baa3/BBB-
	2.875% SNs 2027 (EUR)	-	650	2.875%	Mar-27	BBB-/Baa3/BBB-
Total Schaeffler Group			3,165	Ø 2.13% ³		

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

⁴ Bond issued by Schaeffler Finance B.V., guaranteed by Schaeffler AG | ⁵ Fully repaid on 20th Dec 2019