COMMENTED SLIDES / CONFERENCE CALL RESULTS Q2 AND H1 2019

Company Representatives

Klaus Rosenfeld, CEO
Dietmar Heinrich, CFO
Renata Casaro, Head of Investor Relations

Conference Call Participants

Tim Rokossa, *Deutsche Bank*
Kai Mueller, *BofA Merrill Lynch*
Raghav Gupta-Chaudhary, *Citigroup*
Henning Cosman, *HSBC*
Stephanie Vincent, *JP Morgan Chase & Co.*

Operator

Dear ladies and gentlemen, welcome to the Conference Call of Schaeffler AG regarding the H1 results 2019. At our customers' request, this conference will be recorded. As a reminder, all participants will be in a listen-only mode. After the presentation there will be an opportunity to ask.

(Operator Instructions)

May I now hand you over to Renata Casaro, who will lead you through this conference. Please go ahead madam.

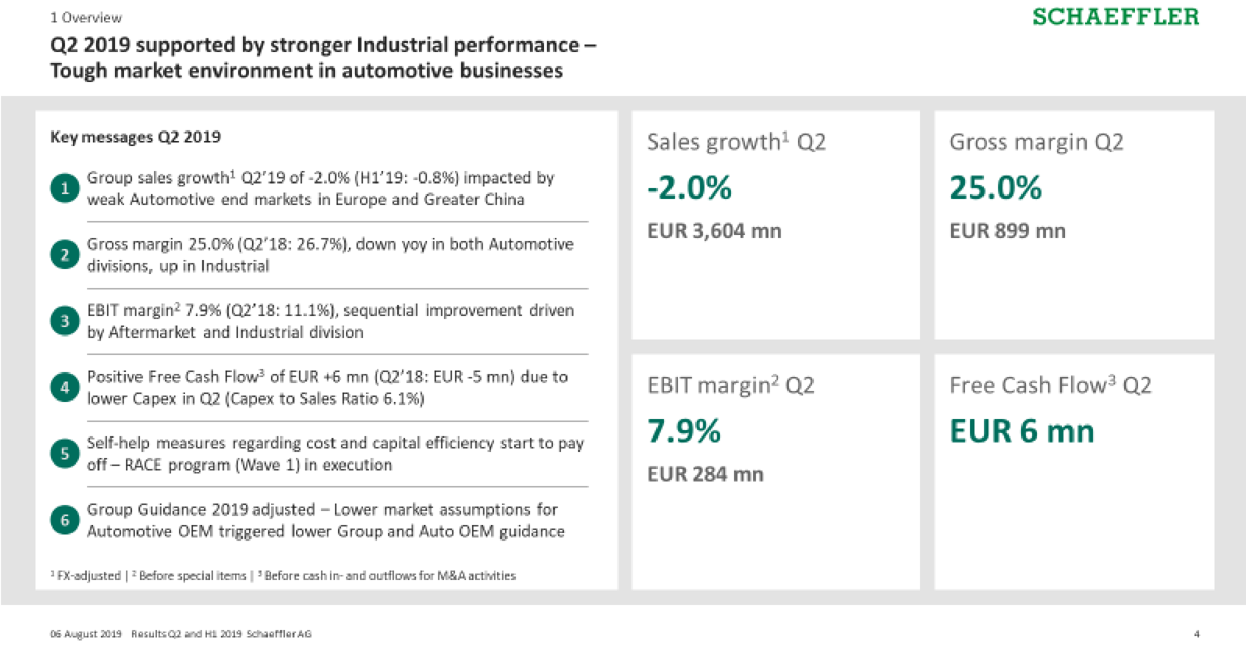
Renata Casaro

Thank you very much, operator. Dear investors and analysts, welcome to the Q2 earnings call of the Schaeffler Group. Mr. Rosenfeld, CEO, and Mr. Heinrich, CFO, will take you through the Q2 results. And later, we will be available for the Q&A session.

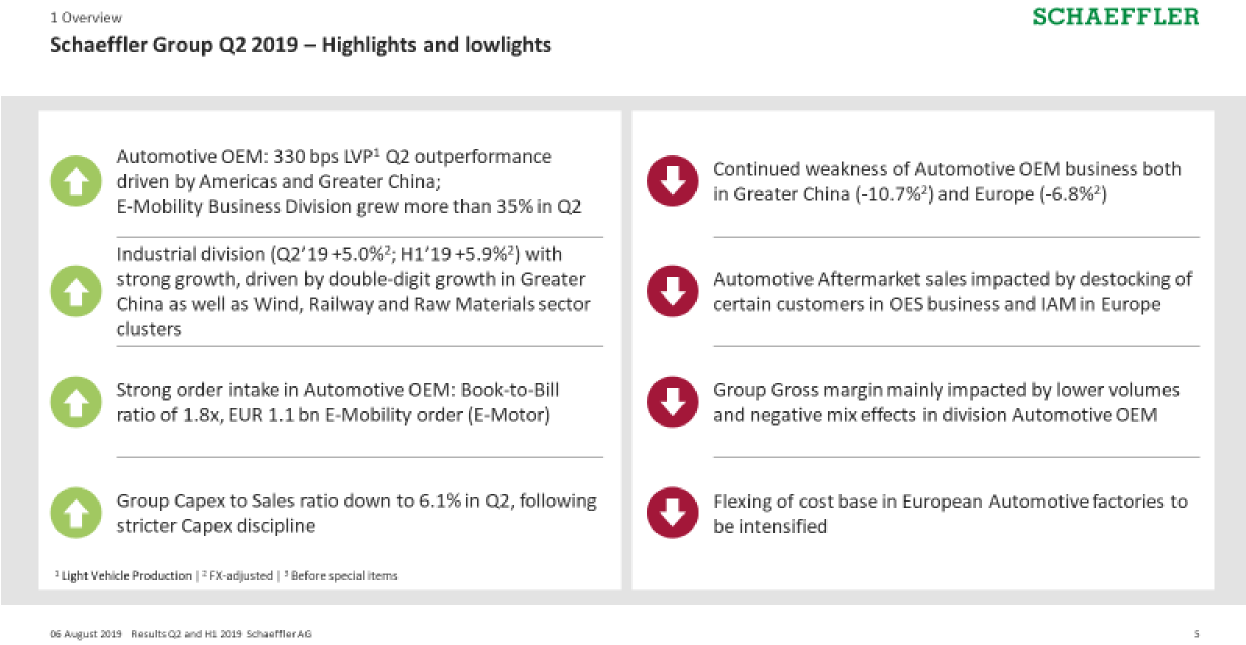
Klaus, the floor is yours.

Klaus Rosenfeld

Renata, thank you very much. Ladies and gentlemen, good morning, thanks for joining the call. You have a presentation in front of you and you all heard about our pre-release. So I will not read page by page but focus on the most important messages and those information that is new to you.

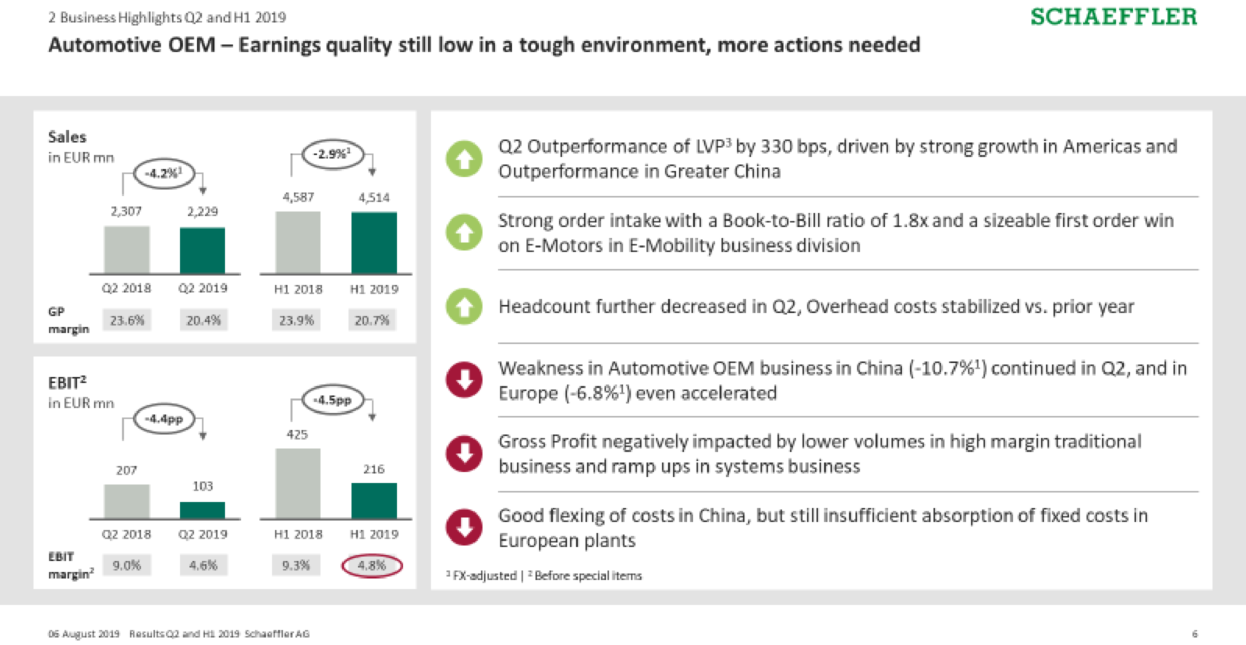


If I may start on page number 4 with a little overview. Just to summarize here, I think you all agree, this was a quarter with light and shadow, a strong industrial performance but a tough market environment in automotive OEM that also triggered the downward revision of our guidance.



Let me go through the highlights and lowlights described on Page #5. Four highlights that I want to stress. I think good outperformance in Automotive OEM, despite the market downturn, 330 basis points in the second quarter. If you take the first quarter with that, 380 in the first half. I think that's solid and in line with our, on average, 400 basis points.
The Q2 outperformance was clearly driven by Americas and Greater China, Dietmar is going to give it some more detail on this. In particular, Americas is driving the outperformance with, I think, in the first half something like 11 percentage points. E-Mobility also had good growth. And going directly to the third point here, a strong order intake with a new order in E-Mobility for an e-motor project that we are quite proud of. It shows definitely that our activities here are paying off. I'll give more information on this later on.
Industrial division, strong growth, in particular double-digit growth in Greater China and in some sectors, so a strong performance with 5% growth in Q2, nearly 6% in the first half. I think that speaks for itself. And last but not least, we also mentioned that in the prerelease, our CapEx-to-sales ratio came down to 6.1% in Q2 after more than 10% in Q1. So we are delivering here on our promise to be much more restrictive in terms of CapEx and our capital efficiency.

Then on the negative side, the market in Automotive continues to be weak both in our key markets in China and in Europe. The Automotive aftermarket sales are impacted by the destocking that is still continuing, in particular in Europe. And you will also, Dietmar is going to explain that in more detail, see that our gross profit margin, in particular in auto OEM, is impacted by the lower volumes and also by the changing portfolio in terms of products. We are feeling quite okay with what we are doing to flex the cost base. But there's clearly more opportunities in the European Automotive factories. And therefore, we will intensify that. In China, we have made quite good progress there. But in Europe, there is still a way to go.



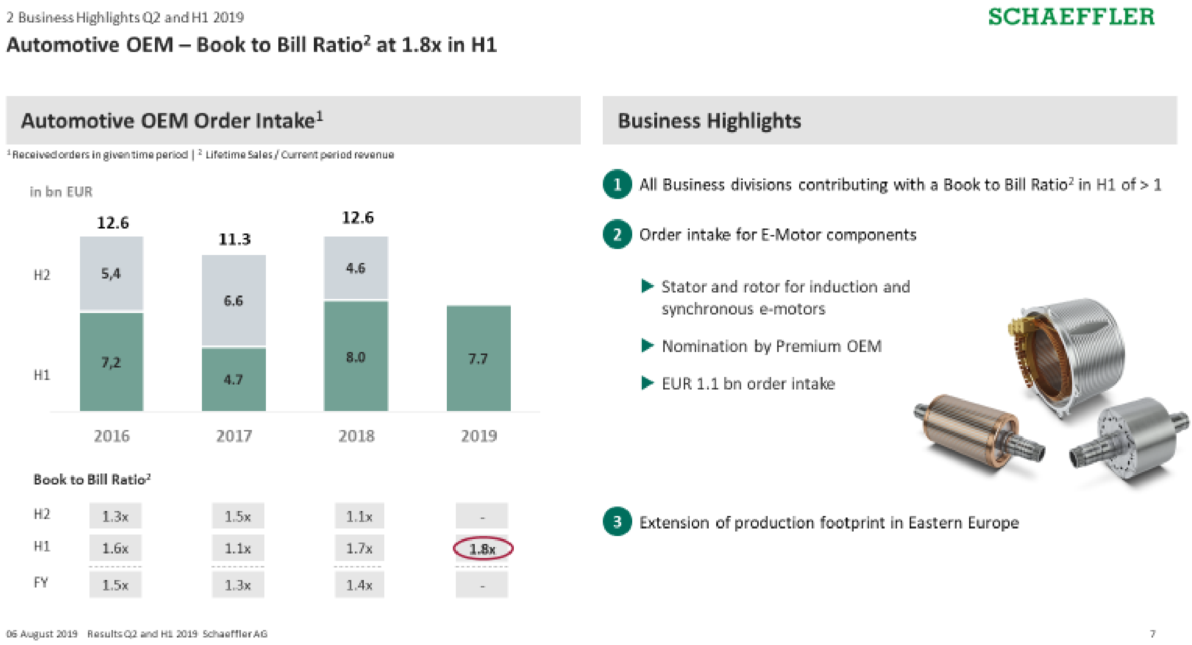
Let me go to Page #6 with the most important business highlights for Automotive OEM. I think you saw the numbers. I'm not going to spend time on this. On the outperformance, I already said the most important things. So let me jump directly here to the third green arrow, headcount further decreased in Q2, overhead costs stabilized. What does it mean in terms of numbers? The group had, by end of June, 90,492 headcount. That is compared to the year-end 2018, nearly 2,000 people less.

Of the 2,000 people less, nearly 70% attributable to Automotive OEM. So you see here, we are adjusting our headcount base, minus 1,365 headcount compared to previous year-end. I think the interesting number here is if you compare this with the quarters, of the 2000, 641 were in Q1 and about 1,345 were in Q2. So it's accelerating 1/3 of 2,000 in Q1, 2/3 in Q2. That impact will also help us to achieve our targets in the rest of the year 2019.

I commented on the weaknesses already. And let me focus here on the gross profit margin. As you know, we are in this rebalancing of our portfolio. So there is, to some extent, the dilution that comes from the new business, the systems business, the ramp-up business. And here, we're feeling quite good about what's going on. Our large new businesses in the Americas, Ford MHT, the 10-speed transmission for GM. But also classical business is going well.

However, we have lower volumes in the high-margin traditional business. And to manage that balance is clearly one of the challenges going forward. So we could call it good and bad dilution. That's a function of a variety of factors. And Dietmar

is going to give you more insight here. But I can assure you, the gross profit margin in Automotive OEM is one of the key figures we are looking at and where we will also focus our measures on.
Let me go to the third point. I already said this, good flexing of cost base in China. Yes, we have clearly seen a downturn in revenues. But in terms of cost base, we are quite successful in adjusting this to the original budget. In Europe, we have initiated a range of self-help measures. They focus on personnel cost, they focus on operating costs, they focus on project costs. And in flexing the cost base on the personnel side, we are getting more successful. There's a range of measures here, you can also read this in the newspapers in Germany today. We have initiated additional closing days. We are working on the time accounts to bring them down. Temporary workers are one of the challenges.
You can even think about reducing holidays or unpaid holidays and so on. The even more aggressive measures are related to part-time work or to other ways to reduce collective work time. And all of this is at the moment in preparation and under discussion. If necessary, we will also pull these measures if the year progresses differently as we have projected. So that's it on Automotive OEM. Again, as it says in the headline, earnings quality is still low, the environment is tough and we are fully focused on the actions needed here to achieve our revised guidance.

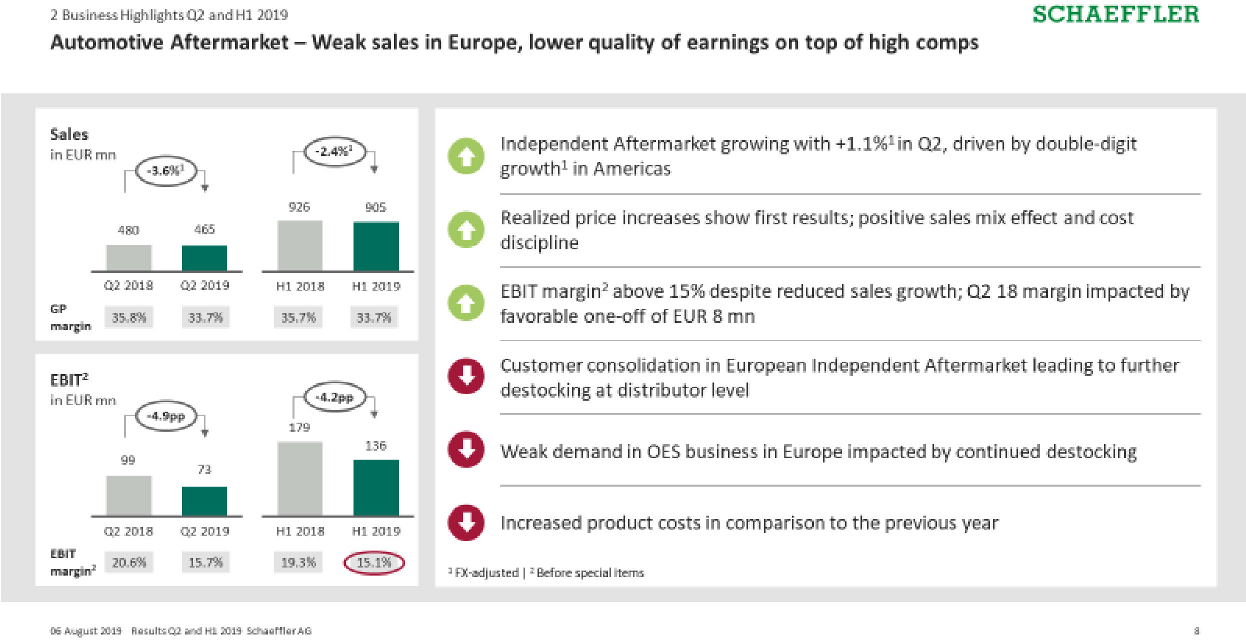


Let me go to the business highlights in terms of new business. Book-to-bill in the first half, 1.8x. I think the key message here is that all businesses and all business divisions contributed to this book-to-bill ratio. All of these businesses, engine, transmission and chassis, are above 1 and E-Mobility is clearly driven by these large order intake for the e-motor, Elmotec paying off.

Before I come to this order, let me stress here that we are in particular proud of the new business that also came in the engine division. Here, the book-to-bill ratio it's above 2. So we have seen good progress here also on the classical business, combustion engine-related, when it comes to our engine business. And that I think it's a proof that our scenario with the 30%-40%-30% will be a scenario that is a quite realistic view for the next years. While we all see the strong efforts of our OEMs on the best and half side for the years to come, at least in the short term, the combustion engine is still something where people continue to invest and buy cars. We should never forget that.

Second point here is this e-motor order intake. You're all interested in what this is. Please accept that we cannot disclose the name. But what I can say is a nomination by a premium OEM that we know well. It's a component business, where we are basically producing the e-motor for them. And in the calls before this presentation, we were asked, "Is this a BEV or a HEV related business?" And I can say it's a BEV related business. It even goes into Allrad applications with 2 different motors. So it's something that is broad. And we feel quite good about this order intake. It clearly shows that Jochen [IR-Team: Schröder] and his team are on the right track

to catch up. We promised, on average, EUR 2 billion order intake in E-Mob. And I think we made half of this now with this order. So we feel quite good that also for the rest of this year, the remaining gap can be filled by new orders.
You all know that the profile -- or in terms of profitability, these orders are different than in the classic highly capital-intensive business. That's why I want to stress the third point. We have decided to produce this new product, not in Germany but in a best cost country. And we have agreed that we will extend one of our large plants in Eastern Europe for this business. So also the E-Mob business goes best cost country. And that should help us to achieve an attractive margin on this.
Very quickly, the whole list of projects is continuing in the right direction. We have at the moment more than 30 running projects. The number of inquiries is increasing constantly. And we are in a position at the moment that we have decided that we cannot even follow every inquiry. Our projects that have reached out of productions are going in a difficult environment in an okay mode. Some have a little bit lower volumes than expected. But on average, we feel good about this development. And as we indicated, there is one new SOP coming closer, also a very high-caliber project, a smaller volume but very interesting content for a vehicle premium name. So that's it on the Automotive OEM side. Once again, we feel good about this order intake. It's something that we will report on again beginning of next year. And it remains to be seen what the second half is going to bring. But I can assure you full activity, in particular on the E-Mob side.

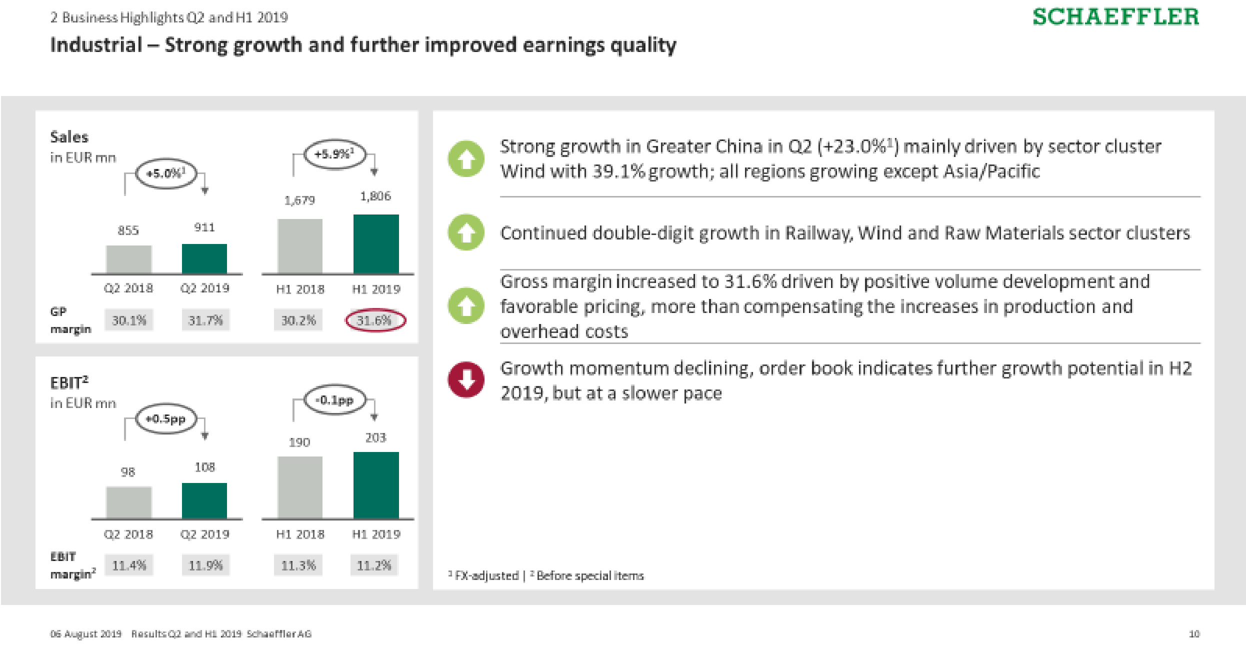


Aftermarket, nothing really new to report here. The situation is more or less unchanged compared to the first quarter, weak sales in Europe, the lower quality of earnings on top of high comps last year. The 15.7% margin in the second quarter 2019 clearly shows that we are very disciplined in terms of cost. Also Michael and his team have achieved first benefits from price increases. So we feel quite good about the 15% margin that is the lower range of our guidance.

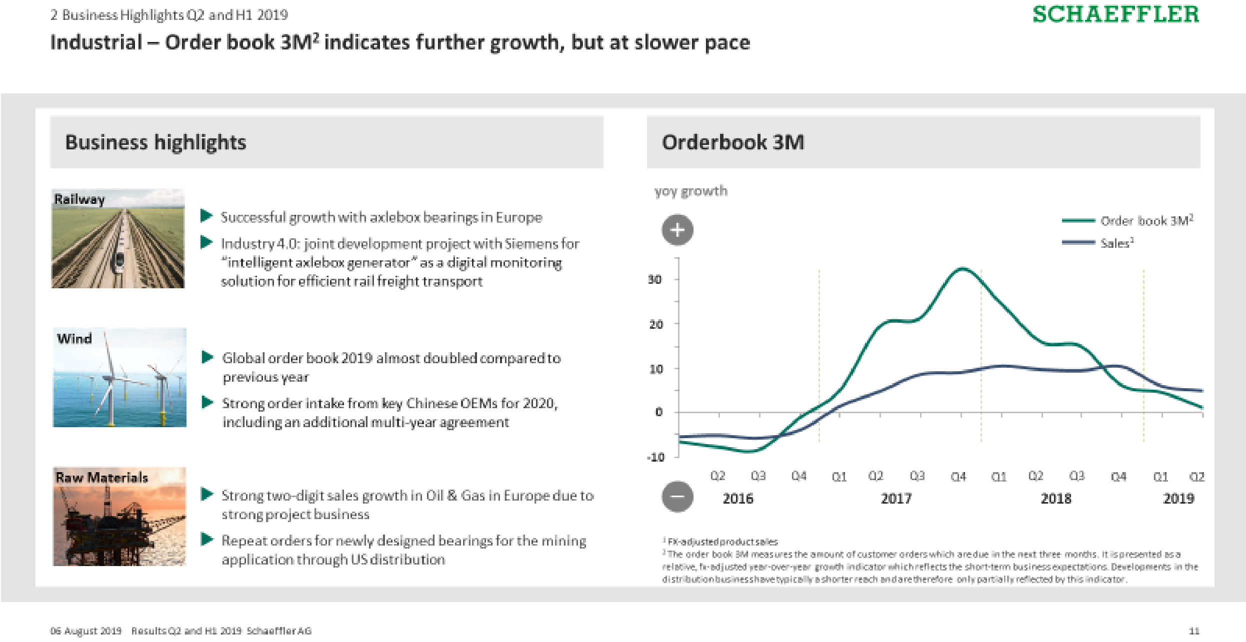
On the negative side, yes, there is continuous consolidation in the European independent aftermarket. There is continued destocking. The OES business was weak and it also continues to remain rather weak. And we have seen in some of the areas at least increased product costs. So it's all about making sure that we, within this environment, achieve the target. And there, as you will see later on, we have initiated another cost efficiency program called GRIP that we will explain in more detail at the next Capital Markets Day.

In terms of business activities, 2 things I want to mention that are also showing here some promising results. We have launched in June 2019 the FAG steering parts. It's a new initiative related to chassis components and repair solutions from single source, directly in line with our key competitive strengths, a variety of steering and suspension parts, high quality through the entire portfolio and a continuous ramp-up of sales volumes. So we feel good about this new initiative.

On the more operational side, the AKO is making good progress. What is key that we get this multi-shuttle warehouse fully implemented. That's the heart of the technology. And we'll make sure that push-through in this activity can be achieved. We are starting operations as planned -- in mid-2020. And as soon as that is done, we'll also then go for the reduction of the existing activities that will also give us a little bit of support than on the cost side.



On the Industrial side, very quickly, I think you have seen the news, nothing more to report here. I think we are well underway in the big sectors, rail, wind and raw materials. The gross margin has increased by more than a percentage point, clearly driven by volume but also by pricing. So that's on the positive side. We have, as you know, after nearly 6% growth in the first half, been little a bit more cautious in the second half, guided for 2% to 4%. And that is the function of clearly a growth momentum that is declining. So we are cautious here. And I think that the 2% to 4% will hold in any case at the lower end.



A little bit insight on the business on the 3 sectors. Good progress in rail. I want to highlight here a project with Siemens on the Industry 4.0 side, where we go into digital monitoring solutions on the freight side. Wind is growing, in particular driven by China, strong order intake from key Chinese OEMs for 2020, multi-year agreements and really stronger growth than we expected. So we are working here flat-out at the capacity level and seeing still further inquiries and order requests.
Also raw materials is doing well, strong 2-digit sales growth in oil and gas in Europe in particular. But also the U.S. distribution is really strong. So while we all know that the order book is not as strong as it was in previous quarters, it still indicates further growth but at a slower pace. We are aware of that and adjusting our projections for this environment.

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Capital allocation – Increased spending discipline in Q2 starting to gain traction

Investment[1] allocation | in EUR mn

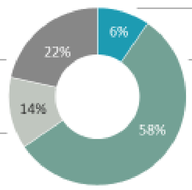
	FY 17	FY 18	Q2 18	Q2 19	H1 19
Automotive OEM	1,006	970	255	174	399
Automotive Aftermarket	33	64	1	-3	38
Industrial	248	241	27	34	65
Schaeffler Group	**1,287**	**1,275**	**283**	**205**	**501**
Capex	1.273	1.232	289	221	594
Capex ratio[2]	9.1%	8.7%	7.9%	6.1%	8.2%

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

Key aspects

- Measures to improve capital efficiency start to gain momentum; Q2 Capex ratio[2] at 6.1%
- Stricter approval levels, tougher hurdle rates and new Capex Committee process will be continued
- Full focus on spending discipline in H2 to meet target of below 8% Capex ratio[2] (Mid-term target: 6-8%)

Capex by region H1 2019
in EUR mn (yoy change)



Let me come to my last slide before I hand over to Dietmar. And that's capital allocation. I think at the beginning of last year, you always asked how are we doing this and how can we be rest assured that our free cash flow targets are met. I can say we have achieved quite a lot in the second quarter here to bring the CapEx down.

In the table on the left-hand side, we distinguish between the investments in terms of additions to PPE. That number is EUR 205 million in Q2. We have cashed out EUR 221 million. This is not fully synchronized, as you know, because the cash payments are triggered in previous quarters. The 6.1% is related to CapEx, not to the PPE. And it indicates and clearly points in the right direction. After 10.3%, we are on average for the first half at 8.2%. This is still slightly above our target. We want to bring the second half below 8% and clearly meet our mid-term target of 6% to 8%.

You see, and that's part of the interim report, the CapEx in terms of cash-out by region. Yes, the European portion may seem a little high. But don't forget this includes Eastern Europe as a significant part, where we continue to increase our investment, while in Germany and in other Western European countries, we are decreasing. Also India is included here. So the change in Europe is a mix of increased investment in best cost countries and lower investments into the classical countries like Germany, France, Italy and other countries.

Now with this, let me stress again how important spending discipline will be for the second half. We have seen good discipline, we have seen that our measures that we put in place, stricter approval, tougher hurdle rates and also the new CapEx committee that I lead, has really started to pay off. So measures are gaining traction, but they need to be continued, that's for sure. 1 quarter doesn't make a full year. So I can assure you here, we are fully committed to achieve this on the capital side without jeopardizing the future growth because that is clearly critical. But I don't see any risk here with a 6% to 8% ratio also compared to others if we invest wisely as we are more disciplined to jeopardize any growth pattern for the future.

With this, I hand over to you, Dietmar, for the more detailed part on the financial results.

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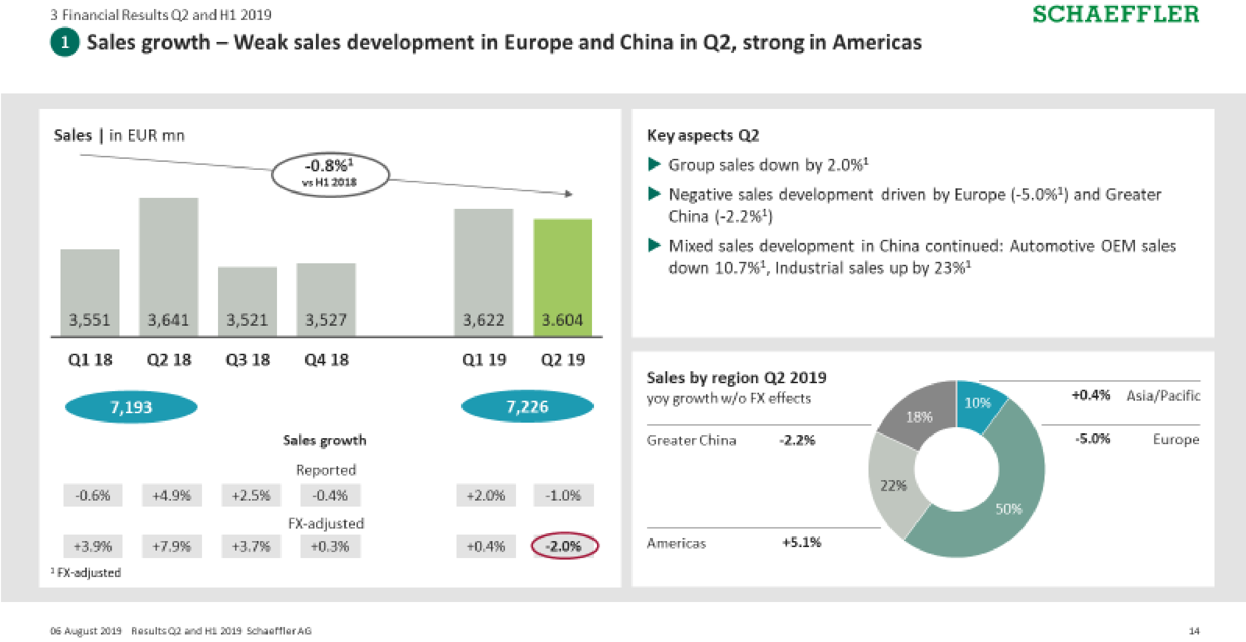
Key figures Q2 and H1 2019

in EUR mn		Q2 2018	Q2 2019	Q2 2019 vs. Q2 2018	H1 2018	H1 2019	H1 2019 vs. H1 2018
Sales	1	3,641	3,604	-1.0% -2.0%[1]	7,193	7,226	+0.5% -0.8%[1]
Gross Profit *Gross Margin*	2	973 *26.7%*	899 *25.0%*	-74 mn *-1.7pp*	1,933 *26.9%*	1,813 *25.1%*	-120 mn -1.8pp
EBIT[2] *EBIT Margin*[2]	3	404 *11.1%*	284 *7.9%*	-120 mn *-3.2pp*	794 *11.0%*	556 *7.7%*	-238 mn *-3.3pp*
Net income[3]	4	268	136	-132 mn	506	273	-233 mn
EPS[4] (in EUR)		0.41	0.21	-0.20	0.77	0.42	-0.35
Schaeffler Value Added[5]	4	791	289	-502 mn	791	289	-502 mn
ROCE[6]		19.8%	13.4%	-6.4pp	19.8%	13.4%	-6.4pp
Free Cash Flow[7]	5	-5	6	+11 mn	-75	-229	-154 mn
Capex	6	289	221	-68 mn	595	594	-1 mn
Net financial debt	7	2,834	3,167	+333 mn	2,834	3,167	+333 mn
Gearing ratio[8]		106.6%	115.7%	+9.1pp	106.6%	115.7%	+9.1pp

[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

Klaus, thank you very much. Also from my side, good morning to everybody. And I would like to jump actually directly into the detail, then passing Page 13 and moving directly to Page 14.



As you can see here providing more details in regards to the sales development. Overall, second quarter was on a lower level with minus 2% foreign exchange adjusted. We have a mixed picture. On one side, we see a strong sales development, a continuation basically of a good first quarter in Americas with a growth of 5% in the second quarter. And on the other side, we see a decline in sales in Europe by minus 5% and by China of minus 2%. It's actually driven from the Automotive OEM sales, which has been down by 11%, but on the other side, positive in China Industrial sales, up more than 20%.

3 Financial Results Q2 and H1 2019

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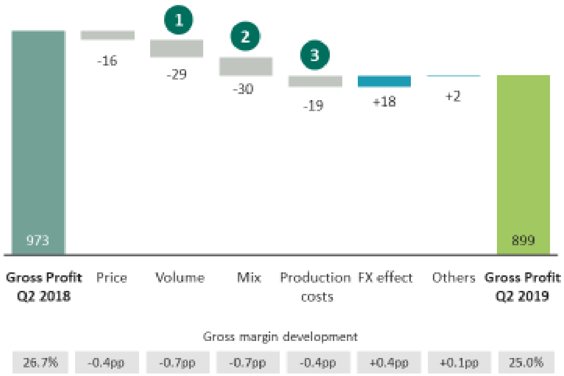
2 Gross Profit – Gross margin impacted by weak volumes and negative mix effects

Gross Profit¹ Q2 2018 vs. Q2 2019 | in EUR mn



¹ Gross Profit Bridge not comparable to previous quarters as calculation logic was modified for improved understanding of mix and volume effects

Key aspects Q2

1. Negative volume effect mainly in transmission systems business division and related to Greater China
2. Negative mix effect driven by AOEM due to lower volumes in high margin traditional business and ramp ups in systems business
3. Higher production costs also related to buoyant demand in Industrial

Gross Margin

in EUR mn	Q2 18	Q2 19	Q2 19 vs. Q2 18	H1 18	H1 19	H1 19 vs. H1 18
Auto OEM	23.6%	20.4%	-3.2pp	23.9%	20.7%	-3.2pp
Aftermarket	35.8%	33.7%	-2.1pp	35.7%	33.7%	-2.0pp
Industrial	30.1%	31.7%	+1.6pp	30.2%	31.6%	+1.4pp
Group	26.7%	25.0%	-1.7pp	26.9%	25.1%	-1.8pp

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Now moving on to the gross profit development on the next chart. You might have noticed that actually we provide more insight in regard to gross profit development but with regard into the various index, especially highlighting now also mix and volume impact and giving you a better explanation so that actually you can better build up, then also your own assessment in regard to the development. You can see on the left side how we explain the decline in gross profit from 26.7% in second quarter 2018 to 25% in the second quarter of this year. And you can see actually the main impact. On one side, the price decline has been contributing to that development. But especially strong impacts are coming on one side from the volume development, especially Automotive but also Aftermarket, as Klaus already described.

And we have mix impact on the Automotive OEM side, especially with the decline of volumes in high-margin traditional business and ramp-up of system business in the first quarter in Americas and in the second and the first quarter in Europe. You can see then also when looking to the lower right side of the chart that the negative gross margin impact with minus 320 basis points is coming from auto OE and with minus 210 basis points is coming from the Aftermarket.

3 Financial Results Q2 and H1 2019

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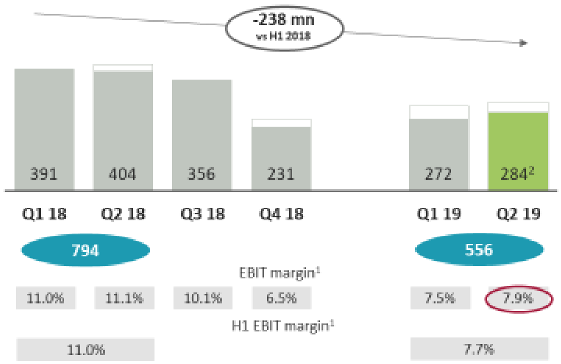
3 EBIT margin – Sequential improvement, however lower earnings quality due to Automotive OEM

EBIT[1] | in EUR mn



[1] Before special items – for more information on Reported EBIT in prior quarters, please see Interim Reports | [2] Reported EBIT of EUR 253 mn including EUR 18 mn restr. expenses RACE and EUR 13 mn restr. expenses for UK reorganization

Key aspects Q2

- Automotive OEM division's EBIT margin was the main reason of the Group's EBIT margin yoy erosion
- Automotive Aftermarket EBIT margin sequentially improved despite weak sales development; stricter overhead cost control
- Industrial EBIT margin remained strong thanks to good growth and positive price development

EBIT margin[1]

in EUR mn	Q2 18	Q2 19	Q2 19 vs. Q2 18	H1 18	H1 19	H1 19 vs. H1 18
Auto OEM	9.0%	4.6%	-4.4pp	9.3%	4.8%	-4.5pp
Aftermarket	20.6%	15.7%	-4.9pp	19.3%	15.1%	-4.2pp
Industrial	11.4%	11.9%	+0.5pp	11.3%	11.2%	-0.1pp
Group	11.1%	7.9%	-3.2pp	11.0%	7.7%	-3.3pp

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Now moving on to the next chart and looking to the EBIT margin. You can see the sequential improvement from Q1 to Q2 now at a level of 7.9% and year-to-date, as Klaus already highlighted, 7.7%. You can see that actually Aftermarket and Industrial performed in line with expected developments, but that automotive OE was in the second quarter below our expectation, driven by the volume and mix impact as described beforehand.

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Automotive OEM – Good outperformance, but lower quality of earnings

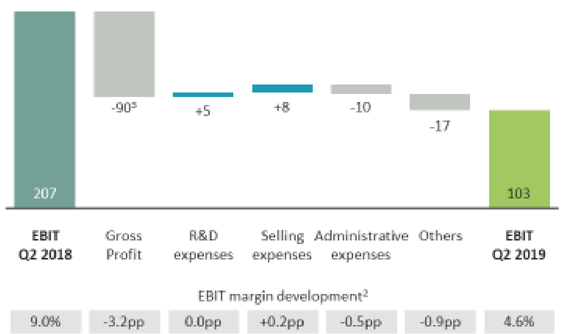
Sales by business division | yoy growth

	Q2 2018	Q2 2019	Δ[1]
Engine Systems	713	688	-4.4%
Transmission Systems	1,075	976	-10.4%
E-Mobility	119	160	+37.6%
Chassis Systems	401	404	+0.3%
Total	**2,307**	**2,229**	**-4.2%**

Outperformance: Sales[1] vs. market development in Q2

Production of light vehicles Q2 2019 vs. Q2 2018 (IHS July)
Sales growth Schaeffler Automotive OEM Q2 2019 vs. Q2 2018

EBIT[2] Q2 2018 vs. Q2 2019 | in EUR mn



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

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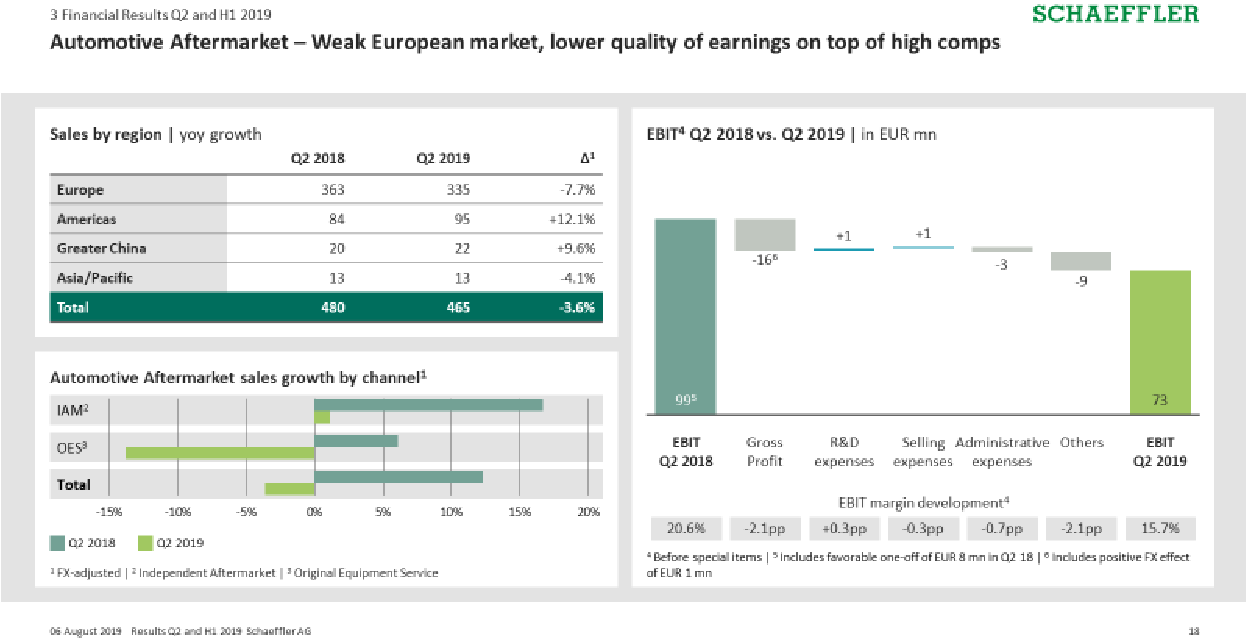
And with this being said, I would already jump into the divisions and start with Automotive OEM. You can see, first of all, that we achieved a good outperformance but actually had a lower quality of earnings. As described, it's the gross profit impact. You can see that E-Mobility realized a very strong growth of close to 40%. Then in regard to the outperformance, we achieved this especially in Americas and in Greater China, slight outperformance in Europe and a weaker development compared to the market in Asia/Pacific.

When looking to the foreign exchange -- not foreign exchange, but to the EBIT impact and coming to the foreign exchange impact, the Automotive EBIT declined from 9% previous year Q2 to 4.6% in this year. And you can see it basically caused by the gross profit impact and negative foreign exchange impact that we are realizing from the hedging impact as well. But this is something where we expect an improvement now in the second half of the year.



When we move on then to the Automotive Aftermarket, you can see the continuation of the strong development in the Aftermarket in Americas, in Greater China with growth in both areas of around 10%. We have a lower growth on the industrial aftermarket or Independent Aftermarket, not industrial. But especially on the OES side, we are on a low level compared to previous year with de-stocking that takes place in that area.

And on the right side, you can see the EBIT development with the drop from Q2 of last year to the second quarter of this year. And you can also see that basically this development is driven by gross profit impact with higher costs. And on the other side, in the others area and in the others, we have an impact last year in second quarter, we reported a special impact from the -- we are solving a actually legal case and we have a slight impact from the foreign exchange side.

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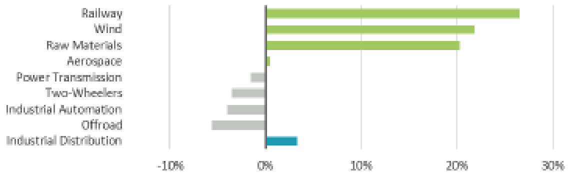
Industrial – Strong growth, further improved earnings quality

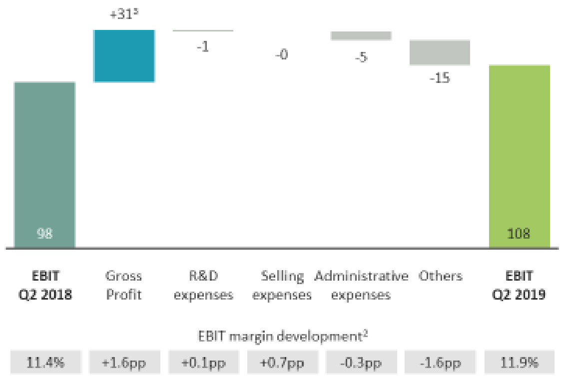
Sales by region | yoy growth

	Q2 2018	Q2 2019	Δ[1]
Europe	473	480	+0.9%
Americas	149	160	+2.8%
Greater China	154	191	+23.0%
Asia/Pacific	79	80	-0.2%
Total	**855**	**911**	**+5.0%**

Industrial sales growth by sector cluster Q2 2019[1]

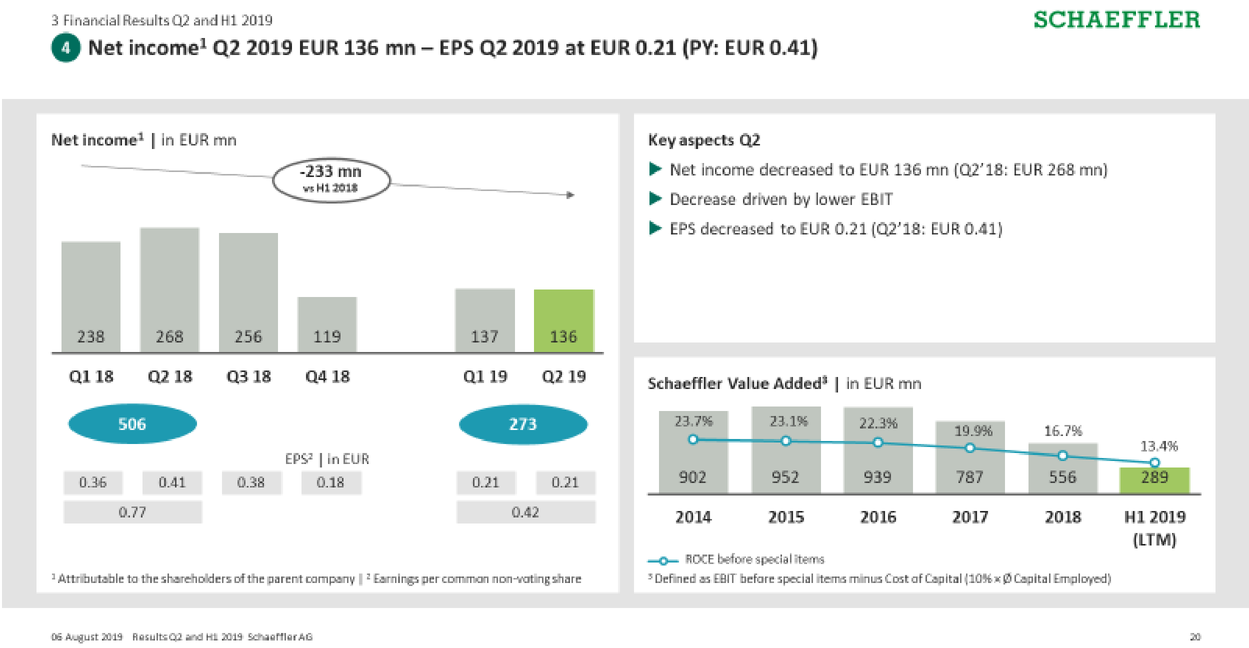


EBIT[2] Q2 2018 vs. Q2 2019 | in EUR mn



[1] FX-adjusted | [2] Before special items | [3] Includes positive FX effects of EUR 10 mn

Now moving on to the Industrial area. We can see, as already mentioned, that on the sales side, China is continuing to grow in a very strong way with 23%. Especially our growth in the Industrial side is driven by the 3 sector clusters: railway, wind and raw materials. As you can see on the lower left side, both are crossing more than 20% growth, actually. And on the profit development, you can see positive contribution with the increase coming from the gross profit side with 1.6 percentage points. But on the other side, the negative impact basically or mainly coming from the foreign exchange side.



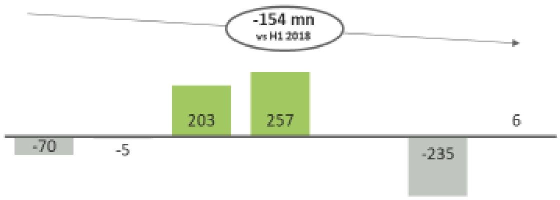
Now moving from the divisions to the net income development, which is actually basically influenced by the lower EBIT ratio. So our Q2 net income is at a level of EUR 136 million and the earnings per share at EUR 0.21. For the whole year, earnings per share are at EUR 0.42.

3 Financial Results Q2 and H1 2019

SCHAEFFLER

5 Free Cash Flow before M&A[1] FY at EUR -229 mn (PY: EUR -75 mn)

Free Cash Flow before M&A[1] | in EUR mn



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

[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

- FCF[1] in H1 decreased to EUR -229 mn (PY: EUR -75 mn)
- FCF[1] in H1 negatively impacted by strategic investments, e.g. AKO Europe – Underlying FCF[1] at EUR -138 mn
- Positive FCF[1] in Q2 thanks to stricter Capex discipline; Capex Ratio Q2 19 at 6.1%

FCF Details | in EUR mn

	Q2 2018	Q2 2019	*Δ Q2 18/19*	H1 2018	H1 2019	*Δ H1 18/19*
FCF as reported	(5)	10	*15*	(77)	(290)	*(213)*
Non recurring items[4]	59	29	*(30)*	92	40	*(52)*
Investments[5]	7	0	*(7)*	26	51	*25*
M&A	0	(4)	*(4)*	2	61	*59*
Receivable Sale Program	0	0	*0*	0	0	*0*
	61	**35**	***(26)***	***43***	**(138)**	***(181)***

[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)

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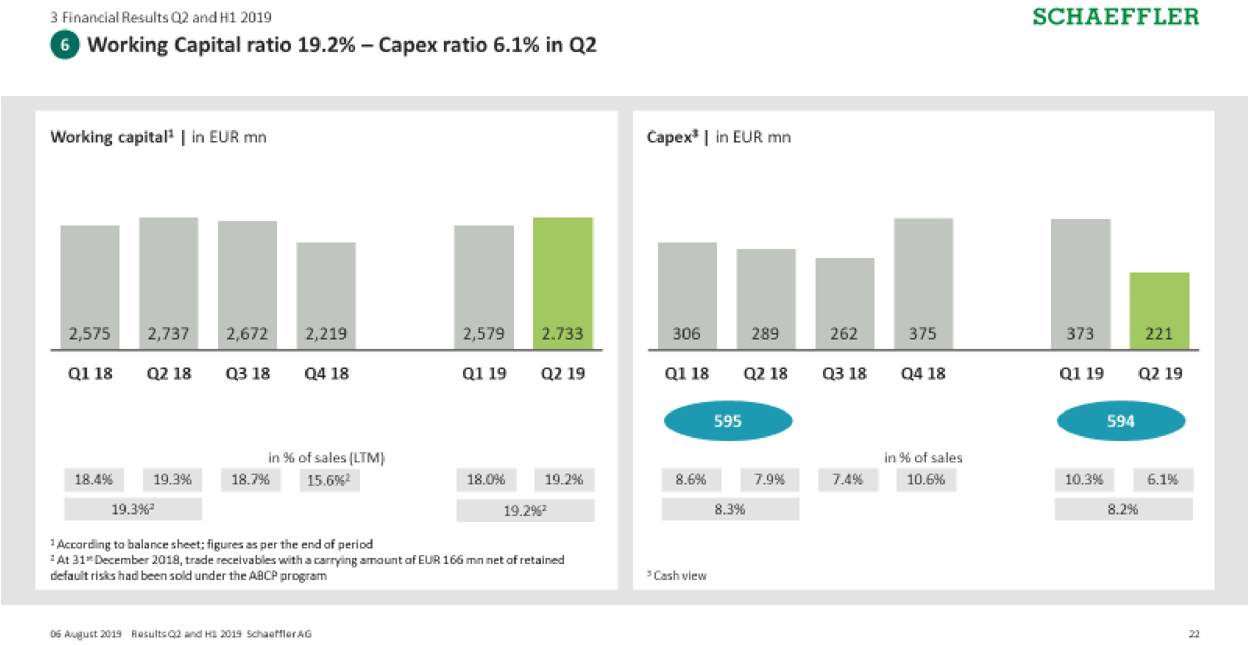
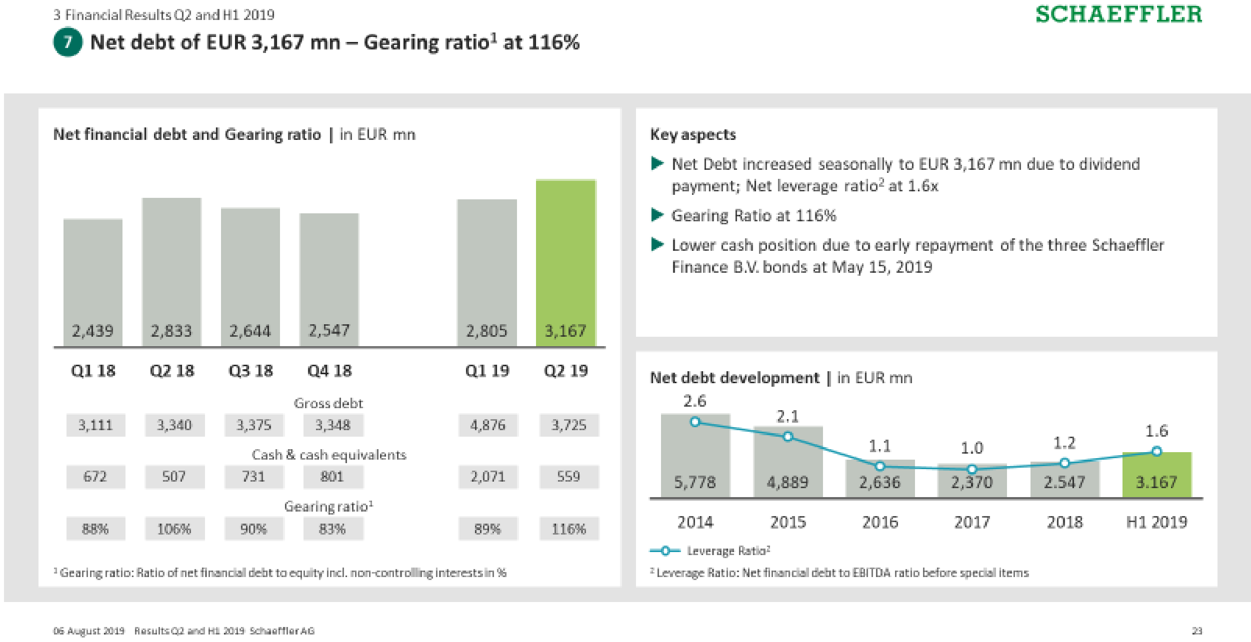
And now moving on, what does this mean to the free cash flow generation? We can see actually that our free cash flow in the second quarter of this year improved significantly compared to the first quarter of this year, now crossing the 0 line. So we recorded a small positive free cash flow of EUR 6 million, which is also a little bit better than the development in the second quarter of last year.

And you can see on the right side of the chart that actually the major impact contributing now to the overall influence on the free cash flow development in the first half of the year are the strategic investments, like in our AKO, the aftermarket kitting operation. And you can see on the lower right side the explanation how the underlying free cash flow changed compared to last year by minus EUR 138 million. But you can also see the details, especially the impact with the acquisitions that we did.



Yes. Then I would like to move on to the working capital development. You can actually see on the Chart 22 that the working capital increased compared to the first quarter but also compared to the fourth quarter of last year. This is driven by inventory decrease in the first quarter with a stable development in the second quarter. And we are also having India, the impacts on the actually strong increase in the receivables compared to the fourth quarter with the pickup of the business development in the first quarter as well. On the other side, we had also a negative impact coming from the payable side. And that's what Klaus already mentioned that our CapEx discipline significantly improved. We have lower investment that we did. But I'd also like to give consideration that payables for investments decreased.



Now moving to actually the last chart from my side. That's the net debt development on Page 23. You can see that our net debt is at the level of close to EUR 3.2 billion with a gearing ratio of 116%. The increase actually in the net debt compared to year-end is caused on one side by the dividend payment that was done in the second quarter, but also the working capital increase that I just explained on the chart before.

And with this, Klaus, I would like hand back then to you.

4 Outlook

SCHAEFFLER

FY 2019 Guidance – As adjusted in the July 29th pre-release

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: Decrease of global passenger car production of around - **4%** (Previously[4]: -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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Dietmar, thank you very much. Let me quickly finish with the last 2 slides. The outlook on 24 is again nothing new. You see the change in the group guidance and the divisional guidance.

I think the real interesting topics here are why 4% and why not even more conservative, minus 5% or even minus 6%? We have been very diligent in checking and discussing and aligning all the data, all the insight we have within the group, both from a divisional perspective -- but as all of you know, we have a strong regional overlay with 4 regional CEOs have included their perspective, their market intelligence. And we think the 4% is a very solid number to build on.

If the market gets worse, what no one can exclude with all the changes in the environment in this volatile and unpredictable world, we will adjust further. And that is clearly something that we need to address as we go forward. I can say that the current trading, the indications we received for July, clearly supports the guidance both on a group level and on divisional level. And the second question that is obvious here is why do we think that we can make EUR 350 million to EUR 400 million of free cash flow in this environment?

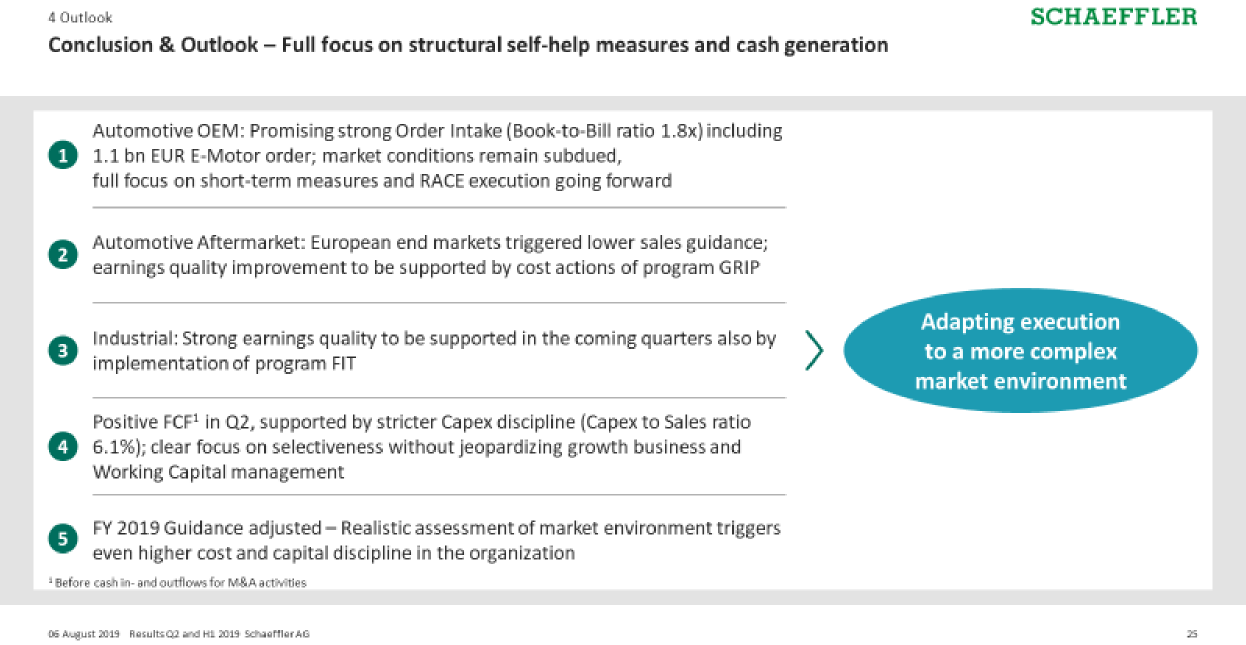
Let me give you a pretty simple way of making that plausible. We made a negative free cash flow before M&A in the first half of EUR 229 million. If we want to get to the low end of the guidance, EUR 350 million, we need to make in the second half, EUR 580 million. If we want to get to the upper end, we need to make EUR 630 million. So let's assume EUR 600 million. How do we get to the EUR 600 million? In the last year 2018, free cash flow in the second half of the year was EUR 460 million;

EUR 203 million, Q3; and EUR 257 million, Q4. The EUR 450 million or EUR 460 million were achieved with a CapEx-to-sales ratio of 9% or EUR 637 million CapEx cash-out.

If I go back to what I said before and said we have made 6% in the second quarter, I think it's fair to assume that we can also make 6% in Q3 and Q4. That would mean after nearly 8% CapEx-to-sales ratio in the first half, 6% in the second half, we would meet exactly the midpoint of the mid-term range of around 7%. 3 percentage points lower CapEx-to-sales means with the sales of -- let's assume for a moment that it's the same number in the second half than in the first half of around EUR 7.2 billion, that would mean EUR 225 million less CapEx. And if you add that back to the EUR 460 million and then deduct, just to be on the safe side, a margin dilution, last year, we made 8.3% margin in the second half. Let's assume, just to be on the safe side, that we're making 1% margin less and you can deduct another 75% and you get to a delta of EUR 150 million.

If I add to the EUR 460 million, last year, EUR 150 million, that's not included for working capital management, not included anything for taxes or interest or elsewhere, then I'm at the EUR 600-plus million range. So with this little plausibility check, lower CapEx-to-sales ratio 3 basis points makes a difference of EUR 225 million, even with a lower margin. And again, we said we want to achieve the low end of the guidance range that was initiated at the beginning of the year, will give us, from my point of view, a solid chance to make the EUR 600 million.

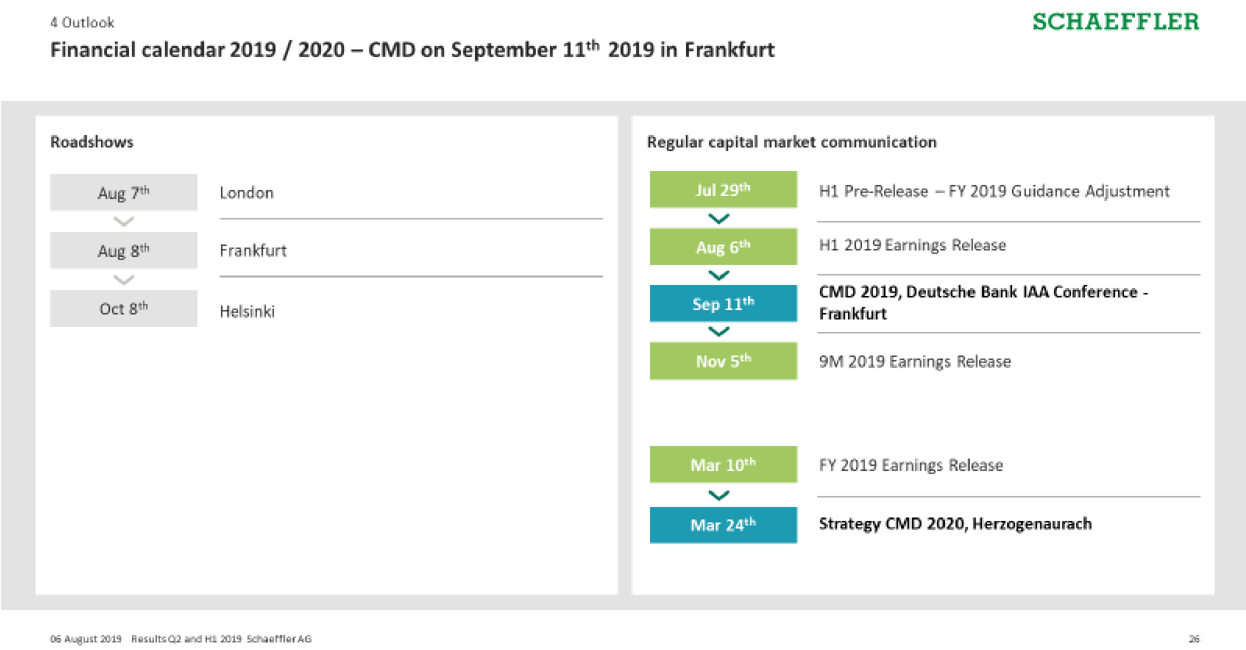
And don't forget, there are all these measures going on that will hopefully pay off also in the second half of the year. So I can say here again we feel quite good about this EUR 350 million lower end. And we'll do what we can to make sure that the free cash flow generation power of this company will come into play for the rest of the year.



Let me finish with Page #25, where you have a little summary here. I'm not going to read all the points again to you. I think you saw Automotive OEM with the positive news on the order intake. Once again, great achievement by our E-Mobility team, we are definitely catching up. However, markets remain subdued. RACE is in full execution, at least for Wave I. And in Automotive Aftermarket and in Industrial, we are, I think, moving on.

In both divisions, we have initiated efficiency programs, GRIP for Automotive Aftermarket and FIT is more or less the third wave of CORE. It's there to support and further improve the earnings quality. We will give you more detail at the upcoming Capital Markets Day at the 11th of September on all these 3 programs. I explained cash flow. Once again, I can say with the target that I mentioned, the stricter CapEx discipline, the good achievement in Q2, we feel good about achieving the new guidance. And we will clearly be very selective and not jeopardize our growth business in the future.

So with this, let me finalize here that presentation by stressing again for the second half, our full focus is on self-help, both short term but also structurally going forward and the clear target is to generate the cash we need. It's all about adapting our execution to this more complex environment. And I think we have learned a lot in the last quarters, and we will move on and speed up with all these measures.



Last slide, 26. The Capital Markets Day in September 11 is in Frankfurt, together with the IAA Conference. As we explained to you, you're all cordially invited there. It's a short, let's say, capital market-light format. I'm happy to say that in 0.5 year from today or more than 0.5 year from today, March 24, we have concluded in the Executive Board that we will do a more extensive Capital Markets Day, where we want to share our new agenda for the next years, the strategy and also the mid-term targets for the next 5 years as promised. So please note the March 24 date. That will be important for us. We are already working in that direction. And we'll hopefully give you a very good plan going forward for this company.

With this, I hand back to Renata for your questions. Thank you very much for listening.

Q AND A SESSION

Tim Rokossa, Deutsche Bank

Klaus, you already gave us a lot of details on the relevant items, but I'd like to follow up on 2 questions just to understand your thinking there. The first one is on the E-Mobility order intake. Very positive to me that you're showing some progress on that side, specifically after all the order intake that we've seen for your competitor ZF, for example, and thank you also for clarifying it's a BEV, as we discussed in the past, I think it's very important that you don't just focus on PHEVs but also show some success on this side.

Now can we talk a bit about the details. I understand start of production is H2 2020, 5 to 6 years timeframe, with a move to the best cost country, is the margin similar to your traditional once or is it still lower despite this cost advantage? And secondly, are you in a proposal process for more orders like this?

And then my second question block would be around free cash flow target. I do believe the market is actually quite forgiving when it comes little bit of a margin deviation as long as Industrial, for example, balances out autos on the group level. But what is really crucial is that you do make your free cash flow targets because as you said, you need this money to invest in your future. Now to state the obvious, it sounds quite ambitious, you've given us all the details how you want to get there, I think it sounds very plausible. How do you actually structure this internally, how do your project managers actually compete for the CapEx, how they pitch products to you, how do you decide what's worth it so not really just risking to have cut it once and then having -- have seen an inflation more into next year, for example, again, also cutting the wrong things?

Klaus Rosenfeld

Okay. Let me tackle the first one. Again, I said what I can say and what I'm allowed to say at the moment, as you know, in our business it's a rule that we don't disclose any further information on this order intake. So Tim, I have to ask you for your understanding that I cannot give you more information. But conceptually, this is not the classic high-precision manufacturing for Schaeffler, this is a different type of business where we are manufacturing for the customer, there's the rotor, and that's by the nature of the business lower-margin business of -- as the traditional business.

Let me say it this way, but it's an attractive business for us. It shows that our competence is asked and never forget that, these client relationships are always long-term client relationships. So the fact that we can show our strengths here, the fact that the customer is doing that with us is something that will give us a further

edge going forward. But please understand, I cannot say more at the moment than this. It was a clearly an intensive competition process, but I can also say they're not that many companies that are able to show the strength that we can show now after the Elmotec acquisition. So it's an element of high quality and also competitiveness due to the technological strengths that we can offer here.
Now on the second one on the free cash flow, yes, you are asking a very good question, how do people compete internally for free cash flow. This goes back to the CapEx committee logic that Dietmar and myself together with our COO have established. If you want to get a little bit of flavor on how that works, we have basically 3 perspectives at the table, I represent the strategic perspective where we say is that a business that we want to invest into, we will share with you in these Capital Markets Days, how our new capital allocation logic is also linked to our new portfolio structure, and it is clearly driven by a logic that the portfolio needs to be much more actively managed.
But that also requires that you break the portfolio into the different buckets and, have, let's say, the new growth businesses that are by nature also businesses where you build market share, you have the existing growth businesses where you have typically some type of experience, you have businesses that you cash out, and you also have businesses where you stop investing and say, we will not do this further or we will divest or find a different partner. So that logic has now been implemented, and we are in the process of linking that also to the way people compete.
To give an example, if someone comes with the business that is the end of the life cycle, we would not even thinking about further investing into growth there. We would rather say, do you have the necessary measures to rationalize your business, and that's a different type of investment than simply spending on growth. In a new growth business, let's take a completely new product, we would not think about replacement, we would not think about rationalization, we would think is there an attractive order at the horizon and what do we need to do to get this order.
So I think, the approach that we have developed since the beginning of the year is more portfolio-driven. It's more driven by the strategic view, how does it fits into this active management, but it's also, and that's where Dietmar comes in and where I think we play a very good role here. It's also more focused on some of the hurdle rates, we are more aggressively saying if that investment doesn't pay off, we are not going to do it or you need to come back and rethink your investment strategy, that can be best cost country, it can also utilize the existing capacity, it can also be not the typical Schaeffler approach, everything as high-quality as possible. In certain areas, you can also do things in a more efficient manner.

And that's where then also our colleague from the COO side comes in because he's the one who can look at this from the production strategy. He can say, is this something that is really the most efficient way in terms of supply chain, we are a much more advanced in terms of looking at global footprint. This is the flavor I can give you. At the end of the day, it's always a business case, it must be a business case, and we typically also do a risk analysis and sensitivity analysis, and I think that thinking you may be little bit surprised that was not there in this sharpness, if I may say so before, but the fact that we were always cash-rich and that always is good environment has maybe also led to a little bit of a complacency there. And again, we are now on the right track, I think, Dietmar and we'll continue with this. It's also learning process. And when the going gets tougher also the decisions internally need to be taken in a tougher environment. And the good thing is, there's a lot of fighting spirit on this, so people really accept the fact that they have to show their strengths and that their business cases have to be rock-solid on the other hand as well.
Hopefully that give you little bit of explanation but I expanded not too much on this, and it's only a Q2 call, and not a Capital Markets Day.

Tim Rokossa, Deutsche Bank
Just out of curiosity, if you were to rank what you find most difficult to manage now, is it the future decisions, is it the volatility in demand or is it the actually decline in production?

Klaus Rosenfeld
Well, I think what requires most of my attention is that the adjustment processes here in Europe and in particular in Germany are fully executed. I think there is -- in this organization there is always a good spirit in terms of what we can do next, what are our innovations, what's high-quality, but the idea of it's a fact of life in certain cycles you also have to adjust your capacity and make sure that you don't lose traction there. I think that's a challenging part, but we're getting better there. I spent my last weeks in numerous calls and meetings with plant managers, and I think made clear to them that there is no excuse here in just continuing, but it's necessary to adjust and that adjustment is a fact of life in everyone's career.

Kai Mueller, BofA
The first one, Klaus, for you. You mentioned the July data points are shaping up in line with your guidance, can you give us a little bit of color, what you mean by that and maybe also by regions. You mentioned obviously European market has been

the weakest one, has that continued to stay depressed and what do you see in Asia, in China in particular.
The second point is when you talk to -- you mentioned also some shutdowns, especially in Europe, can you give us a bit of color when you're expecting them. Are there already starting in July, is it more around the August/September time?
And then lastly, on the point on the E-Motor, I don't want to drag too much on it, but just to understood, I always understood obviously these businesses have a similar ROCE profile as your existing business, yet at the same time you're investing into a new capacity to a build them, so you're basically spending new CapEx in order to make them. Just trying to understand to what extent can you use existing facilities for these new products instead of having to spend more money on to a product that, I think, the question was there earlier, could potentially not quite meet your group margins maybe right now, but not as they were before?

Klaus Rosenfeld
Let me start with the last one.
Again, as the slide says, we're not building a completely new factory for this. We are expanding one of the low cost locations in Eastern Europe so I think that's the first notion here. It's not about -- you build a completely a new plant, you have to buy land, you have to make sure that you can get the right workers and make sure that you invest in the people and so on. That's not the case here. We are basically expanding an existing facility. We are -- in this business, we don't need to buy big presses. We don't need to have -- we don't have the full capital intensity that we have with other products because this is -- I shouldn't say it's an assembly business, but it has a completely different capital need behind it than in our typical classical high-precision component business.
So I think, maybe for the Capital Markets Day, we will give you a little bit of a capital intensity figures on something that gives you a little bit of a sense there, but again, this is not going to be in any contradiction to what I said on the CapEx side. Don't forget we see 6% to 8%, let's say, the midpoint we're still investing close to EUR 1 billion and the that is a lot of money where there is, in any case, enough for something like this. This is also something that has a buildup period of, as we said, of let's say, 18 to 24 months so that money is not out of the door in '19, it's something for '20 and '21 going forward. In terms of shutdown, this is part of the short-term measures. You read the news today. I think someone talked about this to as I said and others. What you typically do is, you'll start with some closing days and you use, in particular in Germany, closing days or closing weeks where you say we are shutting down a plant that is under-utilized at the moment, more or less completely, people then take overtime or go on a holiday or just stay home.

You do this not in a general manner that you say all the 24 plants we have in Germany are now in shutdown, you do it plant by plant, segment by segment and try to find out what's the least also disruptive measure, but that's a normal way how to react on this. Together with the time accounts, I think most of you know that in Germany, you can more or less collect overtime that you worked and then before you can start more aggressive measures like part-time work or can apply for that, these time accounts have to be managed down.

If you manage time accounts down, you also can release provisions on that. So that is another key driver on the personnel measures side to optimize a plant.

And again, we are going through this. Dietmar and myself, we have collected from all the Automotive OEM plants in the last weeks their plans, how they want to run the rest of the year. It's strict and there is I think good response and good discipline, people clearly got the message. So I feel good about the measures that are at least initiated.

In terms of the guidance, Kai, it's premature. I think we are seeing first indications for July. And what I said is, these figures in July confirm at least the first months of the second half in terms of what we achieved, but the year is still long, there are 5 months to go. But at least July is a supportive month in terms of achieving what we promised.

Also in terms of market, there is no new IHS data, but what we are hearing from China is it that at least July did not derail further. It's more stabilizing. And also in the other market that seems to be something that we can build on. Let's what August and September is going to bring. It's early days. So please don't over-interpret the statements. But at least July is not a month that gives us at the moment bigger concern.

Kai Mueller, BofA

And this in China even with the transition to China 6, do you see actually any increase in content from that for your business out in the region?

Klaus Rosenfeld

Well, again, I mean China is difficult these days, you all know this. We have, again, an IHS number that is at minus 6-point-something. We are more at minus 8%, that's the volume part. And again, the content part is more on the -- in the future quarters to come. What is, I think, a positive ramp-up that we have there is Geely contract for a double clutch that is going well, but it's still very mixed in China. There is no reason to change the view there, that we have to be very cautious. The success in China is a function of the adjustments, efforts of the colleagues on the operating result side and not so much of the content per vehicle side. And in terms of balance, don't forget we have a very decent Industrial business in China that also supports our growth.

Raghav Gupta-Chaudhary, Citigroup Inc

We always seem to talk about cost or at least have done for the past several quarters. And I guess the various restructuring programs that you have kind of ongoing in every division, yet this seems to be the third quarter in a row where the operating deleveraging in Automotive OE division has been above 100%. It suggests at least that you are not moving fast enough to address the fixed cost base? Is this because you're hopeful of a turnaround? I've heard everything that you said on cost or is it just very difficult to take out cost? That's the first one.

And let me just ask my second and it's on working capital, perhaps, for Mr. Heinrich. And inventories and receivables barely moved in the quarter whereas payables seemed to fall. I'd have thought in these kind of challenging times you'd have the ability to adjust your payment scheduling, can you just help us understand that dynamic, please?

Klaus Rosenfeld

On your first point, it's a fair observation. In these downturns, it's always a function of the speed, you're absolutely right. Am I happy with the speeds that we have shown in the past quarters? No. Can we speed up? Yes. Do we need to do it diligently? Absolutely. And therefore, you always have the accept in such a situation where this is not a V-shaped recovery, but more a continues downturn without any real perspective how it's going to turn around, and we are experiencing this now for some quarters.

How forceful are you on cutting and what does it mean for a future performance? Yes, there was a thinking that the second quarter was would pull it all off. We have, as one of the early birds in the sector, warned and said no this is not going to happen and we are fully committed now to our short-term measures. That's what I can say. It's always difficult to judge on the future, but I can say there is a steep learning curve in what we can do better, and that's what I'm building on.

Raghav Gupta-Chaudhary, Citigroup Inc

And let me follow up on that if I can. If I can ask you -- if you run your sensitivity -- when you run your sensitivity, sorry, in scenario of production remaining single-digit negative for the next 12-month, which is obviously not where you're guiding on, but what perhaps some of your peers talking to, what margin level would you expect to deliver on a kind of a rolling 12-month basis going forward, if production is down mid-single digit, again?

Klaus Rosenfeld
Well, it's a very difficult question that I cannot answer on such call. I can only say we have guided now for the rest of the year, and said we want to achieve the 5% margin on Automotive OEM and I can assure you, we will put the necessary measures in place to achieve that. This is based on a minus 4% market. If the market becomes minus 6%, we need to revisit what we have and need to see what we do. It's all about being flexible and agile, and that's a cultural problem as well. So I can only reconfirm what I said before, the minus 4% the best we can get out of our data. I don't see complete breakdown of production in our plants. I see at the moment, rather something that stabilizes, and we'll adjust to this environment as good as we can, that's what I can say at the moment.

Raghav Gupta-Chaudhary, Citigroup Inc
Okay and then on working capital, please?

Dietmar Heinrich
In regards to working capital, I explained the moving parts. Let's focus on 1 topic that you also stressed regarding payment scheduling, we actually did this working capital initiative also during the last years and I explained, provided more insight during Capital Markets Day last year, what we are doing here is we found further potential for improvements. So we're doing this in a structured way with adjusting then payment cycles and also payment days so this is a structural improvement that we identified and we are currently implementing.

Raghav Gupta-Chaudhary, Citigroup Inc
Also just too early to be seeing that, is that right way interpret on what you are saying?

Dietmar Heinrich
Basically, we realized this in the past, but we identified several improvement areas that we are now actually flowing.

Henning Cosman, HSBC
Thanks for the granularity on the gross margin on group level. I'm still -- I guess, I'm trying the same questions that's been asked before in a different way. I'm really

asking myself how much is attributable to the negative volume leverage and how much is it attributable to more the structural mix and portfolio transition and dilution, right? I appreciate that you are not going to give us a number but just maybe asking another way, are you even still managing the business and the order intake by the hurdle rates for profitability or are you focused on return on capital in accepting new business and scrutinizing new business now?

And also with respect to your strategy Capital Markets Day in 2020, I appreciate, again, you are not giving us a number now, but may be you can tell us a little bit what needs to change for you to be in a position in March next year to be much more comfortable to talk a midterm Automotive margin level, considering maybe a stabilization of volume cost measures being implemented, including the initiatives like Agenda 4 plus One and so on, but also a better view on the portfolio transition. So that's my first question, sorry that it was a bit long.

The second one, again, on the order intake in E-Mobility. I've heard you say attractive, I think you said it again in the Q&A. So I'm just wondering what attractive means in the context of you also saying, it's strategic, it's long-term OEM relationships. It's good to be seen to be doing such an order. These are all a little bit red flags to me. Is there some sort of comfort that you could give us that it's not below your current Auto OEM margin or maybe at least not negative? That's my second question.

And then, finally, on the assumptions for the order intake, when I look at your evolution of order intake, I assume that your historic order intake was obviously based on very different underlying assumptions, probably something like 100 million cars being produced in 2020. Can you just confirm that your new order intake is a based more on a level like 90 million, so that actually the underlying improvement on market share gains that are reflected in that is actually quite a strong sequential development seeing that the underlying assumptions would be a lot worse?

Klaus Rosenfeld

Let me go to the second one. I mean I -- if you interpreted my comments on the new order as red flags, then I have really misspelled what I wanted to say. I mean we are not buying business. We've always said this, we are not going into competitions where we just a buy orders for the fun of it. It has to be -- it has to pay off, and it has to bring a decent return on capital.

We are not disclosing the return on capital employed levels, and we are not talking about single margins in orders. I can only confirm attractive means this is something that makes a decent profit. Over time, this is something that has a long-term tenure. So I think this is what I can say. But our -- the buildup of order book was always driven by the fact that there is no way in just inflating orders and then sitting there with something that doesn't really bring a return. The fact that our gross profit is down has nothing to do with these kind of new orders. It's a function of, as Dietmar described, lower volumes, it's a function of we're losing, in particular in China margin on certain traditional businesses, the buildup of the new business comes at conceptually lower margins as we described, but lower margins doesn't mean loss-making.

Certainly, in certain long-term contracts at the beginning, you have to invest. I also said, and I think I can confirm this again, we are -- we have enough capacity to deliver on the promise that Mr. Schroeder has given, on average of EUR 2 billion of new orders in the Automotive E-Mob area, so maybe that balances a little bit more what I, obviously, did not really explain well with the word attractive. But please understand this is part of the rules of the game and no one of our competitors does it, we cannot and will not give you details on single orders, neither names or any other details that would breach the confidentiality of the contract.

In terms of order book assumptions, I mean it's a fair point. In a downturn situation like this, order book is built on lifetime sales. And lifetime sales may be calculated, let's say, 2 years ago, and different assumptions going forward.

We have not adjusted any historic lifetime sales numbers yet because you all know that this is nothing for a year, its always a longer period that counts. And there are good years and bad years, so there may be an element of this and in a downturn, existing orders don't get the same volume that -- as planned at the moment. I spoke to Matthias this morning on this point, and it's a very fair comment that we need to take into consideration, but so far the numbers have not been adjusted for something like this, and we also don't see a need at the moment to adjust it, but we'll go in more detail here, thanks for the hint.

What needs to change to come to a more -- a better view on what's the right margin level for Automotive OEM going forward, that's clearly another very interesting question that is difficult to answer in 1 sentence. At the moment, we are coping with an environment that has a very low visibility and with the changes in the big markets, with all the uncertainty in the macroeconomic arena, that is clearly a challenge to give something a midterm target. So if for some of this low visibility, high uncertainty, that would go way that would make it much easier.

What is important for us on top of this, is that we manage this portfolio rebalancing, let's call it this way, in a straightforward manner. I think, we're getting better there. The key figure to look at is from my point of view, what's a solid gross profit margin that we can make in our Automotive business with all these 4 large business divisions underneath and that's something that we need to be going forward. It's not for now, but if the environment would stabilize little bit, if visibility would come

back, if also the strategies of our big Automotive OEM customers would be a little bit clearer on certain areas, that would be good for us.
Don't forget we are a large company with, also in the Automotive OEM, good product diversification and therefore let's see what the year is going to bring. I want to get my structural measures right, I want to make 100% sure that I meet the guidance and from there we are going to build on then the budget going forward and also for our midterm plan.

Henning Cosman, HSBC
Okay, great. Thank you. The clarification on decent profitability on the E-Mobility order intake, that's really all I was looking for, that's very helpful.

Klaus Rosenfeld
You're welcome

Stephanie Vincent, JP Morgan Chase & Co.
I just have 2, away from macro concerns, just wanting to update your thoughts on the cap structure, the Schaeffler Finance B.V. bond, your views on potentially calling that instrument next year, as well what to do with the issuing entity now that the bulk of the bonds are out of AG.
And then my second question is on the cash flow, and I think you've already addressed a lot of this. But I'm just wondering about the production cushion as well as your views on working capital given we have several OEMs that are expecting cash inflows for the second half when we're looking at fairly flat the production second half versus the first half.
And what sort of moves you are making on protecting your working capital inflow as we go into the year-end as the OEs are also trying to generate quite bit of cash, particularly in Q4?

Klaus Rosenfeld
First on the cap structure, there are -- I cannot share any plans what we're going to do next. I think you all know that in the beginning of the year, Dietmar and his team delivered on the promise with the investment-grade bonds and the new program there. So I think we are safe with our cap structure at the moment. There is, from my point of view, no need to do anything.
We are monitoring this, but I cannot share at the moment any further plans with you. So we are -- have seen a quarter, as Dietmar explained, with a little bit of peak in leverage that's typically due to the dividend payment that happens in Q2.

Our cash flow generation pattern is clearly geared towards the second half, as you can see from all the previous years. And I think I explained why we think that even without any bigger changes in the working capital side we're simply being careful on CapEx. Even with the reduced margin, we can achieve the EUR 350 million guidance low end for the full year. Working capital, as know, has a financial component, Dietmar talked about this, but there's also the inventory component, that if you manage this wisely, and it goes back to shut down days and making sure that people don't produce inventory during the summer. So if you synchronize that well your own supply chain and in your inventory management that can also drive working capital needs down. So once again, I feel quite good about the cash flow challenge that we have here, and we clearly have all the necessary measures in place to make sure that's the drivers that we need are addressed and delivered on. Okay. Ladies and gentlemen, we would like -- if there is no further question, we would like to conclude our Q&A session. Thanks for the interest, thanks for the questions. And once again, the invitation to September to Frankfurt, the IAA, I hand back to Renata for the closing comments. Thanks a lot and see you soon.

Renata Casaro
Thank you very much, Klaus. Thank you very much, dear investors and analyst, for further calls we remain available in the IR team later today. Tomorrow, we will be in London with Mr. Dietmar Heinrich, and also in Frankfurt on Thursday. And then I renew the invitation to come and join to our CMD on the September 11th in Frankfurt. Thank you very much, and goodbye.