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5.1 CFO Presentation

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CFO

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Agenda

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Dietmar Heinrich – Today's Speaker

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Dietmar Heinrich (55)

CFO

- 1995 Joined Schaeffler
- 2001 Commercial Director at Schaeffler Korea in Seoul / Korea
- 2006 Vice President Finance for Asia/Pacific in Shanghai / China
- 2009 Vice President of the Business Unit Linear Technology (Division Industrial) based in Homburg
- 2011 Vice President Finance for the Europe region (without Germany) based at the global headquarters in Herzogenaurach
- 2014 Regional CEO Europe
- Since 2017: Chief Financial Officer of Schaeffler AG

Four Key Action Points to Improve Group Performance

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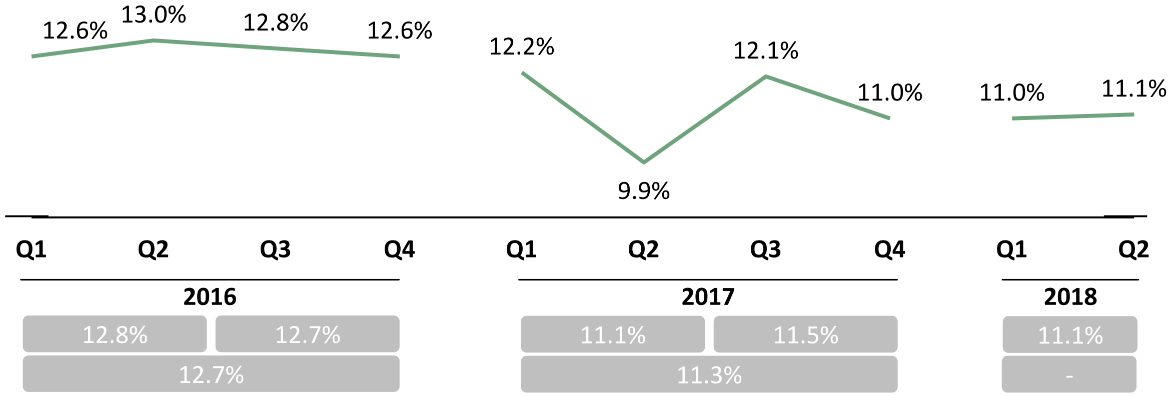
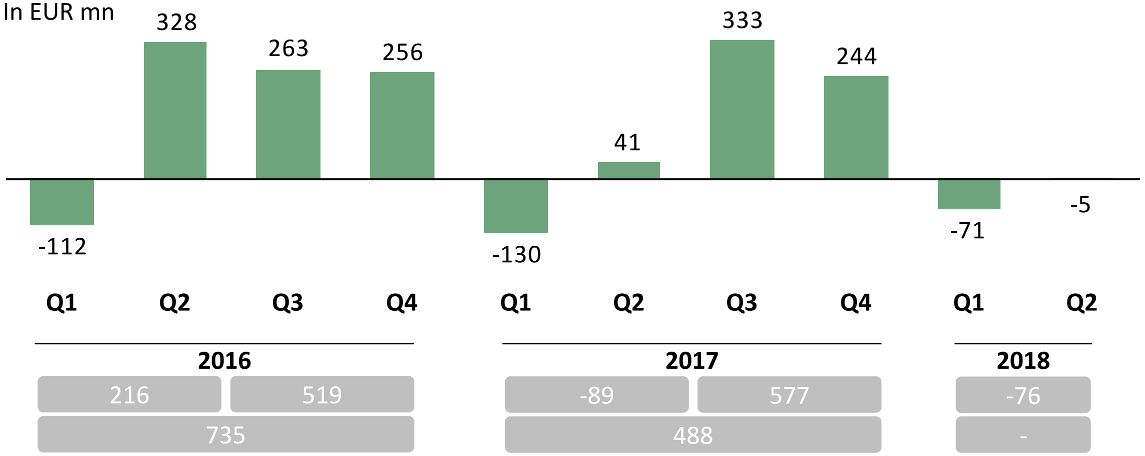
Adj. EBIT
In % of sales



Actions to improve profitability in the Schaeffler Group:

1. **Establishment of Shared Services Center (SSC)** in Poland to achieve operational excellence and to increase efficiency
2. **Dissolution of Bearing and Components Technologies (BCT)** to increase organizational efficiency and strengthen entrepreneurship

Free Cash Flow
In EUR mn



Actions to drive cash flow generation in the Schaeffler Group:

3. **Optimization of Working Capital** with measurable positive impact from improvement programs for accounts payables and accounts receivables
4. **Leverage and Financing**; decrease of net financial debt and improvement of rating to investment grade

1 Establishment of Shared Services Center – Status

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6 Key Parameters

Schaeffler Shared Services Center (SSC)

1. Focus on region Europe
2. Multi-functional SSC
3. 'Captive' SSC
4. 'Greenfield' approach
5. Reporting line to CFO
6. Separate legal entity

Scope for European Shared Services Center

- Finance
- Human Resources
- Information Technologies
- Purchasing
- Logistics (incl. SCM)

Target

- Establishment of a state-of-the-art multi-functional **Shared Services Center in Wroclaw (Poland)**

Aspects

- **Multi-functional** and **captive SSC**
- Cost savings through **standardization, automation and digitalization** and by **leveraging best cost locations**

Achievements and Next Steps

- **Recruiting** activities for five functions in progress
- **Pilot processes implementation** until year end 2018

1 Establishment of Shared Services Center – Business Case

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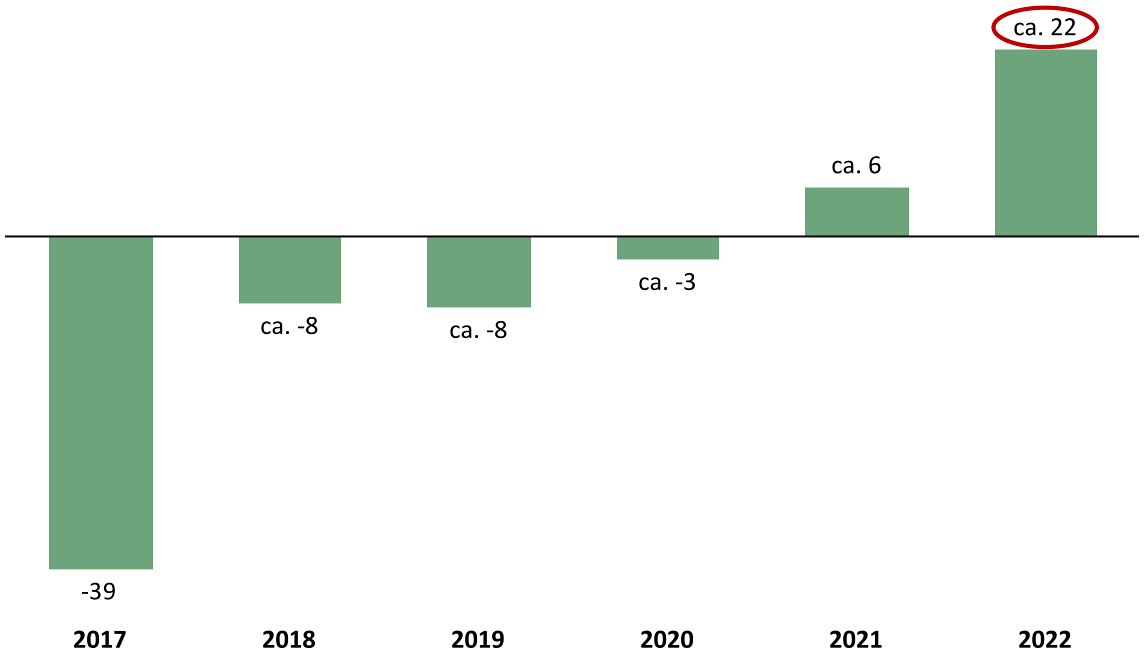
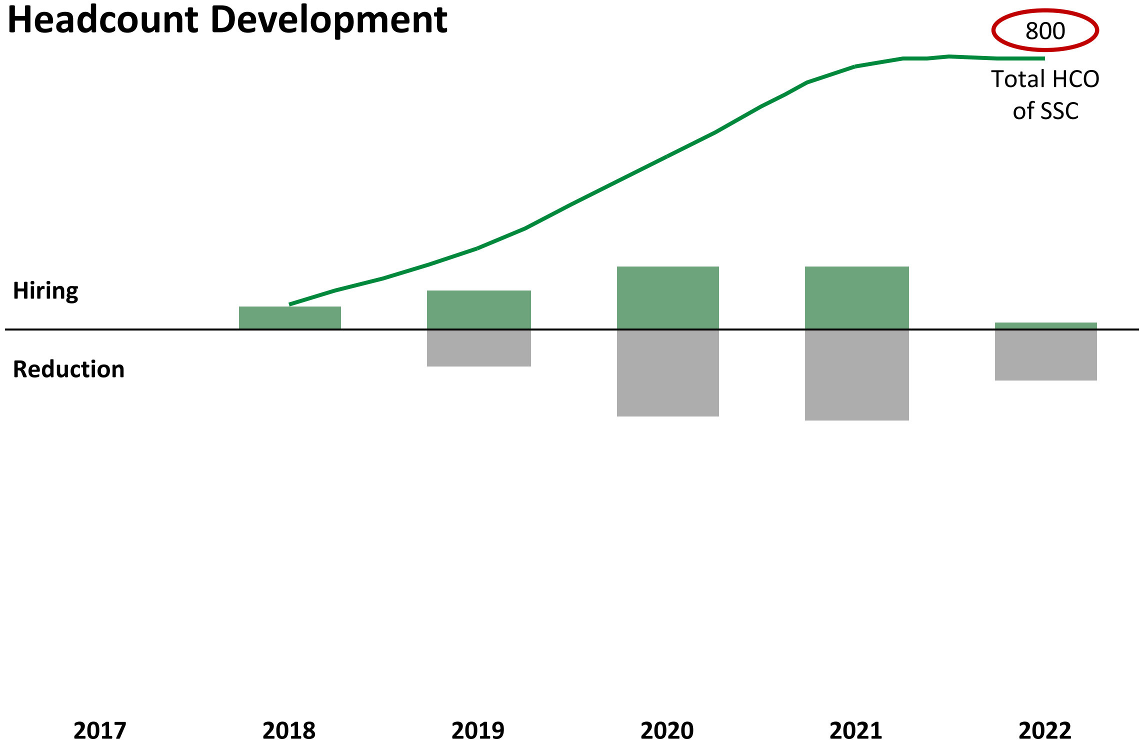
Expected EBIT Impact

in EUR mn



- Restructuring expenses of EUR 39 mn posted in 2017
- Ramp-up costs of around EUR 8 mn expected for 2018 and 2019
- First positive contribution expected by 2021

Headcount Development



- Stable growth to **target size of around 800 employees** in the Shared Services Center until 2022
- **Transfer of tasks** to Poland and subsequent **reduction of headcount** in various European locations

2 Dissolution of Bearing and Components Technologies – Status

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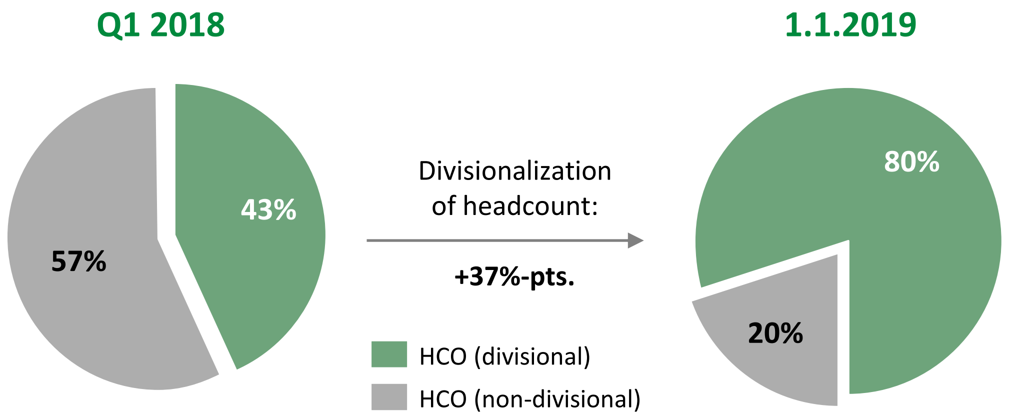
Divisionalization of Global Plant Network

	Q1 2018	1.1.2019
AOEM	37	56
BCT/Operations	**27**	**-**
Industrial	9	24
Total plants	73	80
Campus plants	-	16
Total locations	61	61

Divisionalization of Headcount



Target

- Assignment of plants to divisions and efficiency improvement through headcount reduction

Aspects

- Improvement of **management effectiveness** and enhancement of **customer proximity**
- Implementation of **target organization** by Jan. 1st 2019 and **reduction of 950 headcounts** worldwide until year-end 2020

Achievements and Next Steps

- Interim organization established by July 1st 2018
- Overhead function re-dimensioned and restructuring expenses posted; plant overhead re-dimensioning in progress

2 Dissolution of Bearing and Components Technologies – Business Case

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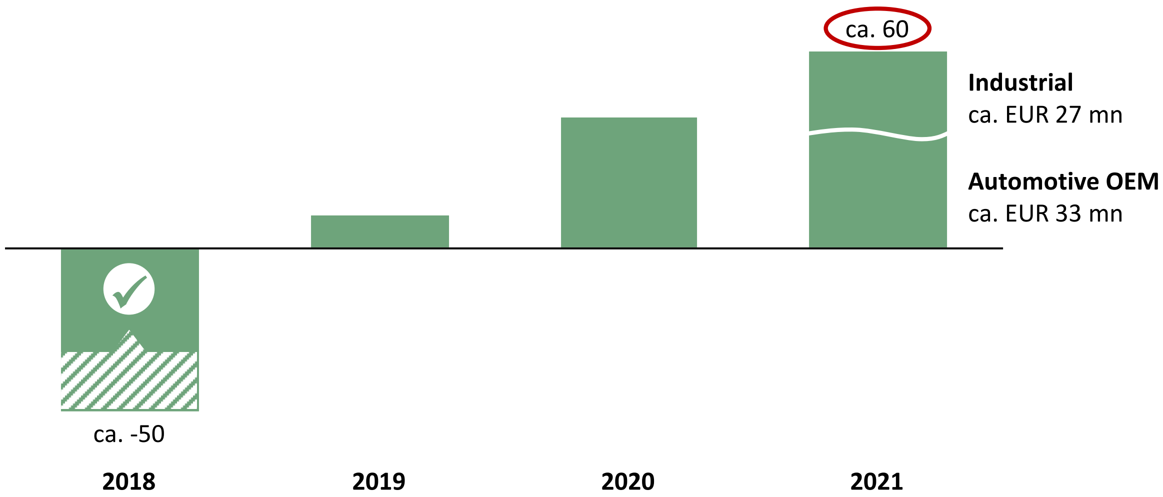
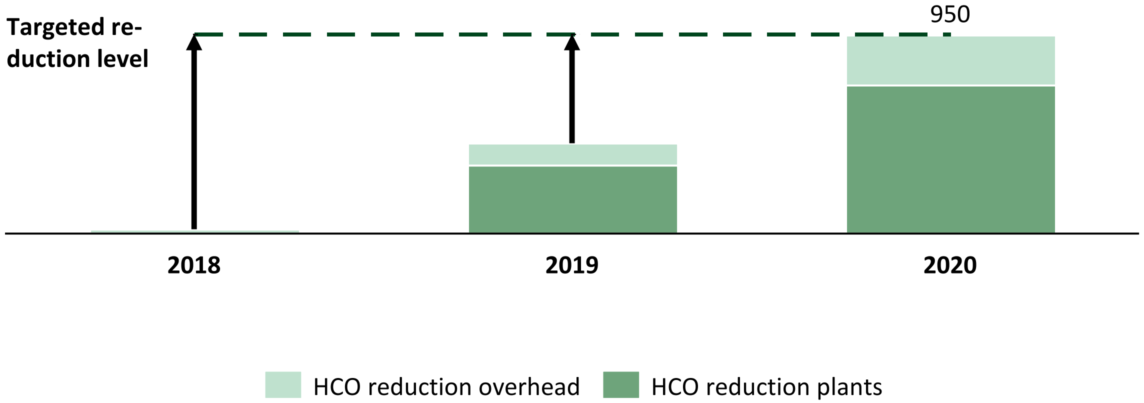
Expected EBIT Impact

in EUR mn



- First **restructuring expenses in the amount of EUR 22 mn** posted in June 2018
- Positive contribution from 2019; full-year impact to be achieved in 2021

Headcount Development



- Reduction of 950 headcount by 2020 initiated
- Thereof reduction of approximately 450 headcount in Germany

3 Optimization of Working Capital – Status

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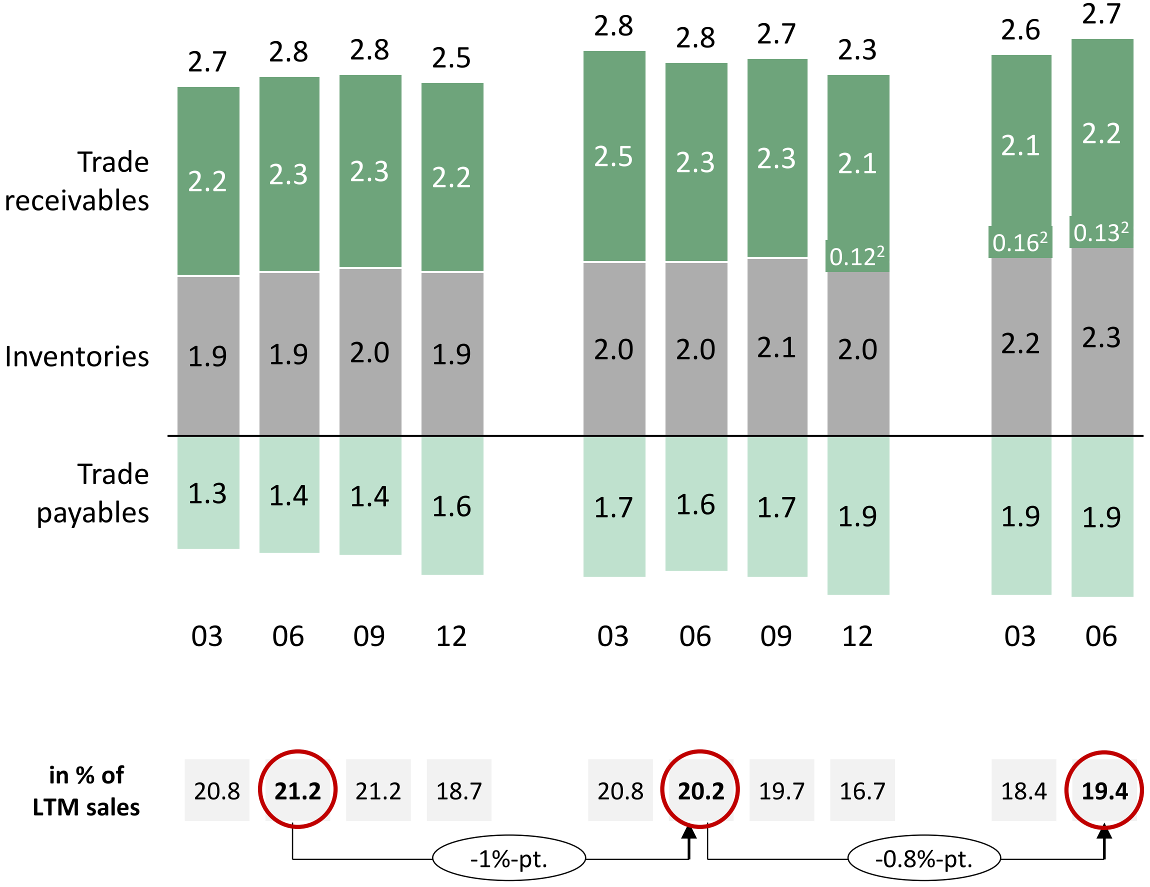
Working Capital Development[1)]

in EUR bn



1) Working Capital ratio includes provisions for outstanding invoices. 2) Impact on trade receivables due to ABCP-Program

Target

- Optimization of cash flow generation and capital employed

Aspects

- Improvement of payables by transition to **new payment term model** and **payment dates**
- Harmonization of **receivable payment terms** and reduction of overdues through **effective dispute management**

Achievements and Next Steps

- **New standardized payment term model** and **payment logic** implemented in 2017
- **System-based operating KPIs** established
- **Dispute management system** in implementation

3 Optimization of Working Capital – Business Case

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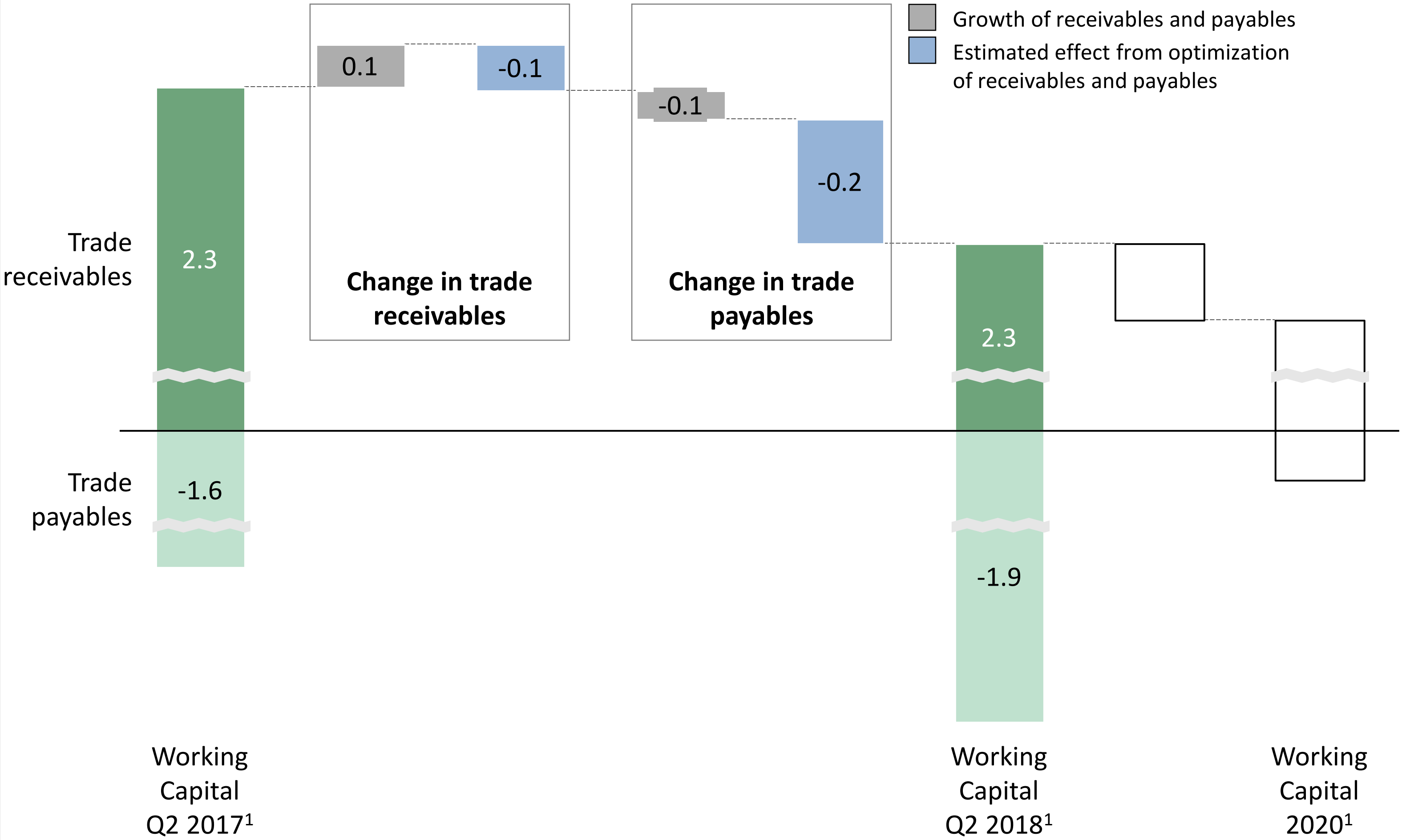
Development of Accounts Receivables and Accounts Payables

in EUR bn



Note: 1) Excluding inventories.

- One-off **cash inflow**
- **Harmonization** of payment terms and logic
- **System-based dispute management**
- Sustainable **increase of Schaeffler Value Added (SVA) and ROCE**

4 Leverage and Financing – A Lever for EPS Improvement

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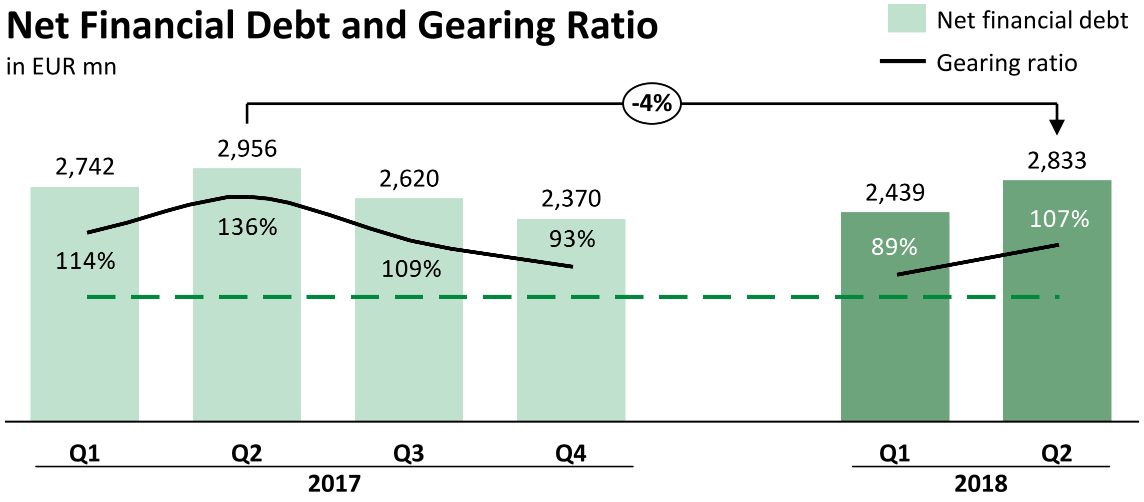
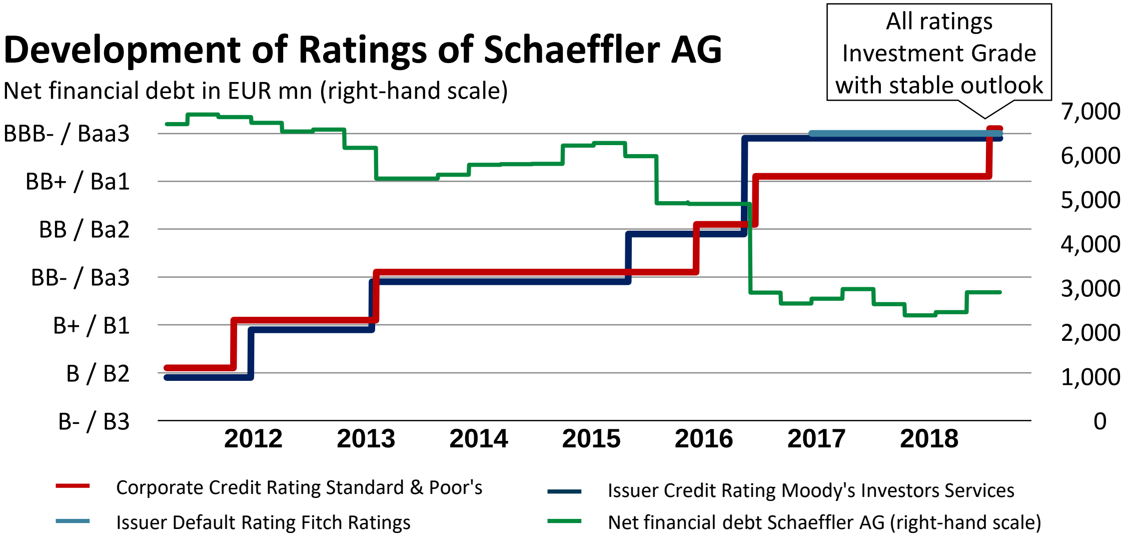
Net Financial Debt and Gearing Ratio

in EUR mn



Development of Ratings of Schaeffler AG

Net financial debt in EUR mn (right-hand scale)



Target

- Establishment of **investment grade financing structure** and **reduction of interest costs**

Aspects

- Rating upgraded to **investment grade** at all three major agencies
- **Terms and conditions** of bank facilities and bonds shall reflect enhanced credit quality of Schaeffler

Achievements and Next Steps

- **Amendment and extension of maturity** of existing bank term loan and revolving credit facility (RCF) by two years until September 2023
- **Release of remaining security interests** granted to secure facilities agreement and bonds

4 Leverage and Financing – Business Case

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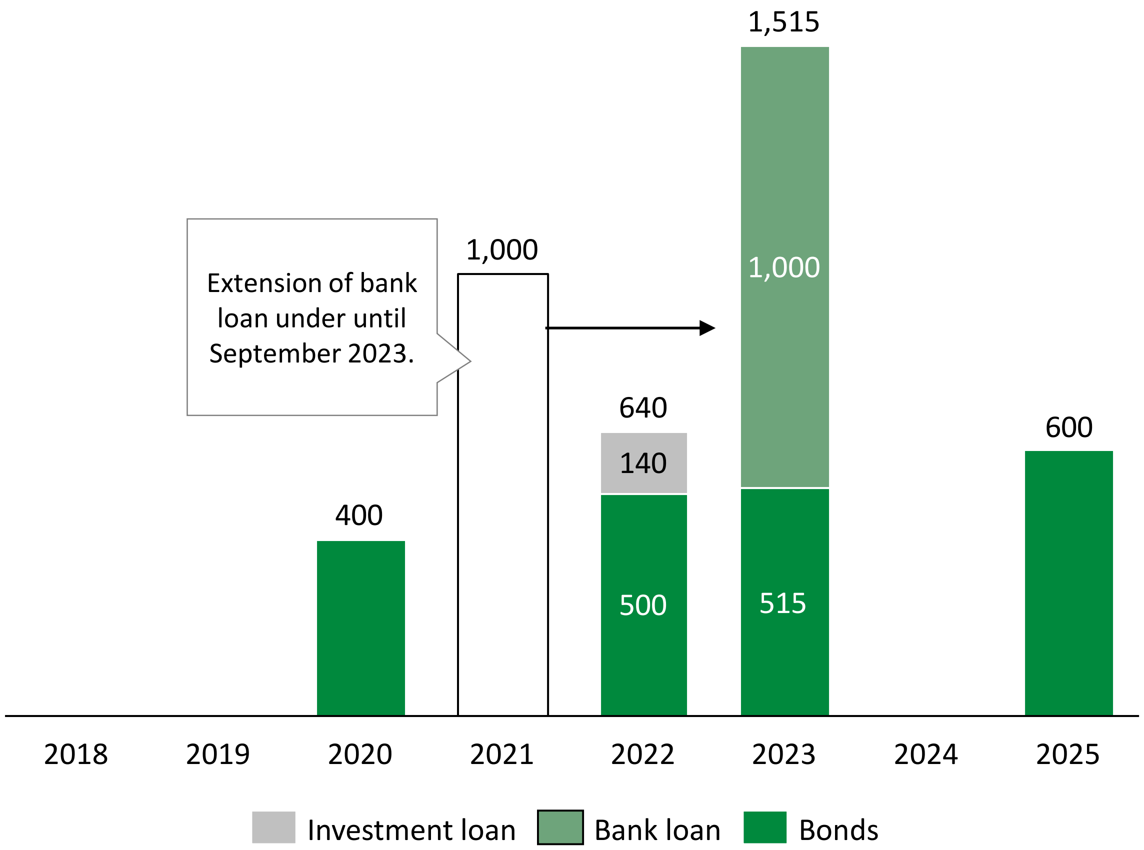
Maturity Profile of Schaeffler AG

in EUR mn



- **Extension of maturity** of existing bank term loan and RCF
- Switch to **improved terms and conditions** in progress
- New financing structure provides potential for interest cost savings generating positive impact on EPS

CFO – Key Messages

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1. Focus on continuously improving the Group performance
2. Roll out of Shared Services Center contributing to operational excellence going forward
3. Dissolution and reallocation of BCT plants to improve efficiency and to simplify the organizational structure
4. Working Capital initiative contributes to Free Cash flow generation and increase of SVA / ROCE
5. Refinancing activities initiated to align financial instruments with investment grade rating and further enhance EPS

Continous focus on profitability and cash flow