



Schaeffler AG
16th German Corporate Conference
Kepler Cheuvreux

January 17, 2017
Frankfurt

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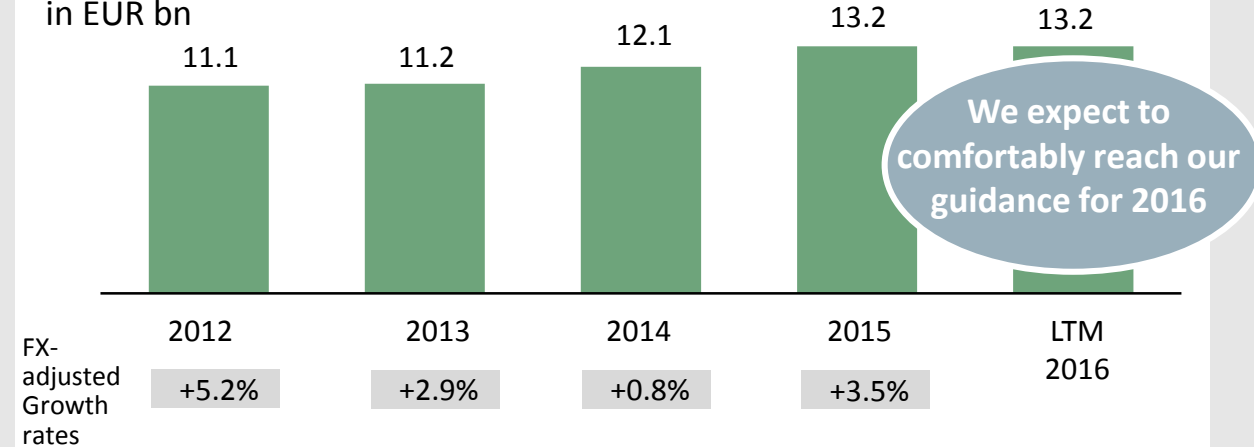
- 1** Schaeffler at a glance
- 2** Strategy "Mobility for tomorrow"
- 3** Investment Highlights
- 4** Summary

Schaeffler at a glance

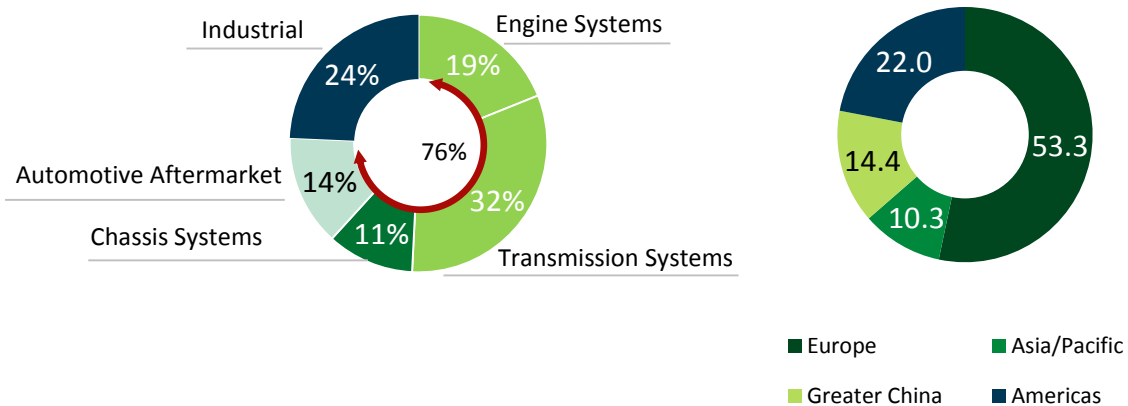
- ▶ Leading automotive and industrial supplier of high-precision components and systems
- ▶ Global footprint with around 85,000 employees at about 170 locations in more than 50 countries
- ▶ Balanced business portfolio across sectors, geographies and diversified customer base with leading market positions
- ▶ Sizeable aftermarket exposure contributes to stable financial performance
- ▶ Highly attractive profitability and cash returns

Sales growth 2012 – LTM 2016

in EUR bn



Sales by division and region (9M 2016)



Global footprint

	#Plants	#R&D Centers
Europe	48	9
Americas	14	5
Greater China	8	1
Asia / Pacific	5	2
Total	75	17

Strategy "Mobility for tomorrow" – 4 key elements

Vision / Mission

Mission

"Guided by the values of a global family business, we work closely together with our customers as true partners to deliver a compelling value proposition through our best-in-class expertise in manufacturing technology and systems know-how. In doing so, we contribute to the success of our customers, the advancement of our employees, and the prosperity of our society."

Vision

"As a leader in technology, we combine a passion for innovation with the highest standards of quality to shape the future of mobility – for a world that will be cleaner, safer, and smarter."



4 Focus areas

Eco-friendly drives

- ▶ Optimized combustion engine
- ▶ Electric vehicles
- ▶ Industrial drives



Urban mobility

- ▶ Two-wheelers
- ▶ Inner-city railways
- ▶ Micro mobiles



Mobility for tomorrow

Interurban mobility

- ▶ Rail vehicles
- ▶ Aircraft
- ▶ Off-highway



Energy chain

- ▶ Wind power
- ▶ Solar power
- ▶ Conventional power generation



8 Strategic pillars

- 1** We want to be the preferred technology partner for our customers.
- 2** We are an Automotive and Industrial supplier.
- 3** We are a global company with a local presence throughout the world.
- 4** We produce components and systems.
- 5** We view E-Mobility, Industry 4.0, and Digitalization as key opportunities for the future.
- 6** We strive for the highest possible quality, efficiency, and delivery performance.
- 7** We want to be an attractive employer.
- 8** We live by the values of a global family business.

16 Strategic initiatives

Agenda 4 plus One



Initiatives

Initiatives	Sponsor
<ol style="list-style-type: none"> 1 Customer Excellence 2 E-Mobility 3 Industry 4.0 	Prof. Pleus / Dr. Spindler Prof. Gutzmer Dr. Spindler
<ol style="list-style-type: none"> 4 Quality for Tomorrow 5 Global Footprint 6 Factory for Tomorrow 7 Shared Services 8 Process Excellence 	Rosenfeld Rosenfeld Jung Dr. Hauck Rosenfeld
<ol style="list-style-type: none"> 9 Working Capital 	Dr. Hauck
<ol style="list-style-type: none"> 10 Leadership & Corporate Values 11 Qualification for Tomorrow 12 New Work 	Schittenhelm Schittenhelm Schittenhelm
<ol style="list-style-type: none"> 13 Program CORE 14 Digital Agenda 15 IT 2020 16 Global Branding 	Dr. Spindler Prof. Gutzmer Prof. Gutzmer Rosenfeld

Financial Ambitions 2020

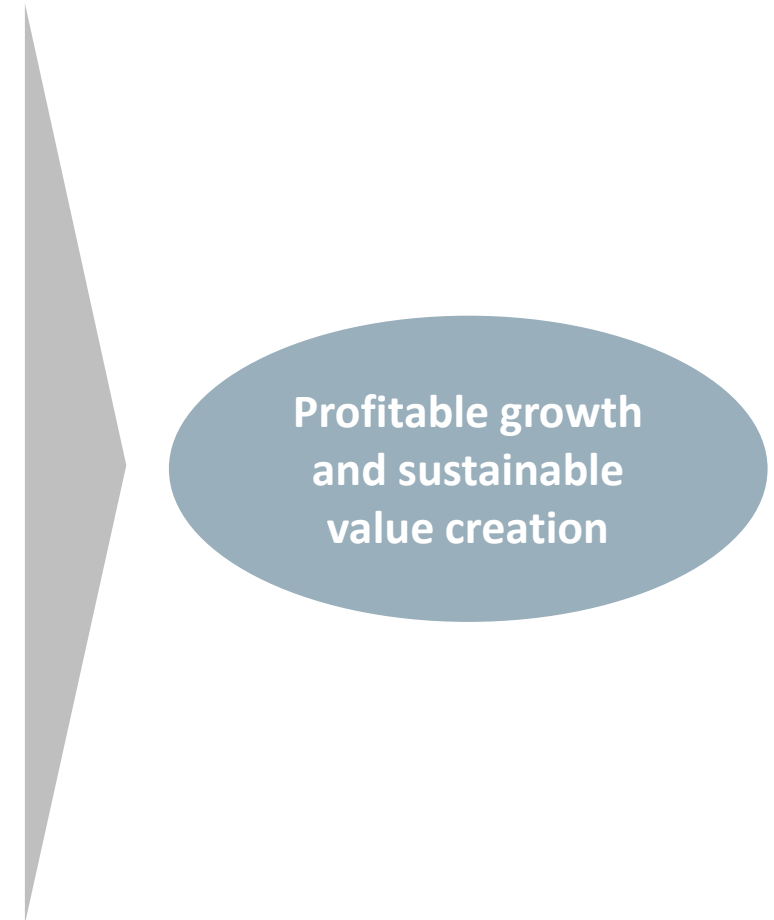
Sales Growth	Ø 4-6% p.a. w/o external growth, FX-adjusted
EBIT Margin	12-13% p.a. Before one-off effects, w/o external growth
Free Cash flow	~€ 900M in 2020 w/o external growth
Earnings per Share	~€ 2.00 per share in 2020 w/o external growth
Gearing ratio ¹⁾	<75% in 2020
Dividend ²⁾	30-40% of Net income

Market assumptions

- ▶ Automotive: Growth of global passenger car production around 2%
- ▶ Industrial: Low single-digit growth of industrial production

1) Net-debt to equity ratio (excluding pensions)

2) Payout ratio based on Net income



Equity Story – 3 key elements

Automotive growth above market



Margin upside in Industrial



Strong Free cash flow generation

4 key questions

1 What is your expectation regarding outperformance in Automotive for 2017?

2 What does e-mobility mean for Schaeffler?

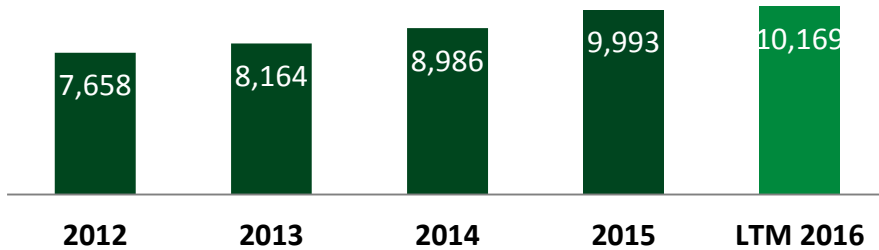
3 When do you think the Industrial margin will pick up again?

4 What are your priorities with regard to "use of cash"?

Schaeffler Automotive at a glance

Sales and EBIT margin 2012 – LTM 2016

in EUR mn

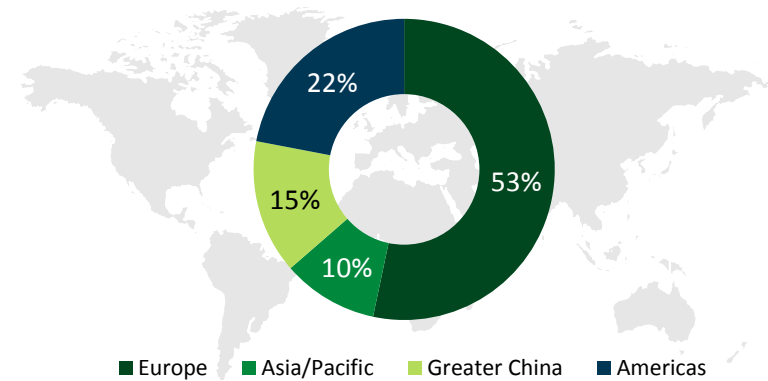


	2012	2013	2014	2015	LTM 2016
Growth rate (y-o-y) ¹⁾	+5.1%	+8.6%	+10.7%	+5.8%	+5.3%
EBIT margin ²⁾	13.5%	13.0%	14.0%	13.6%	14.4%

¹⁾ Before FX effects

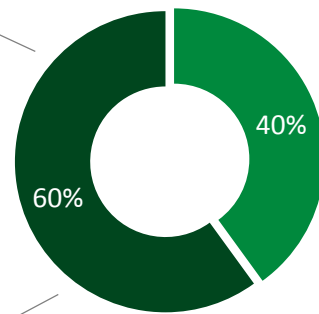
²⁾ Before one-off effects

Sales by region 2015



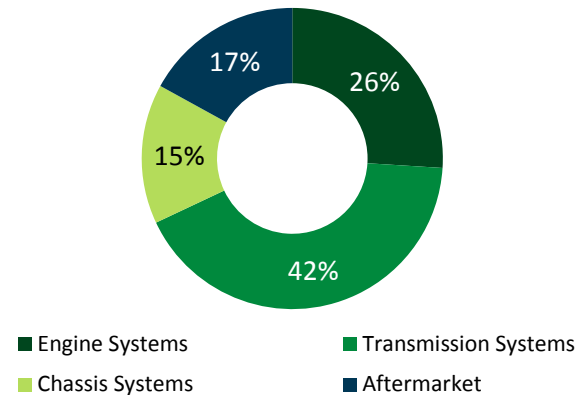
Broad customer mix

Top 10 customers



■ Top 10 automotive customers
■ Other customers

Sales by business 2015

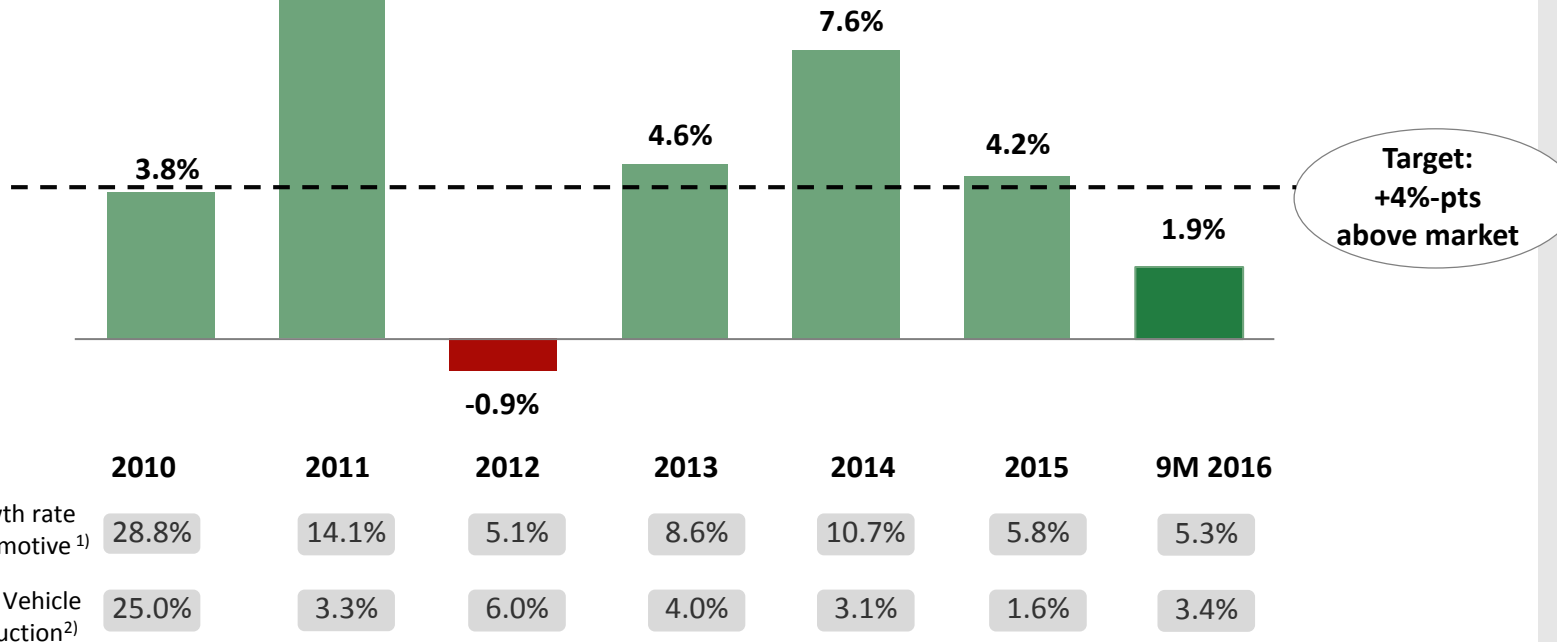


1 Outperformance Automotive 2016 – Below average

Indicative figures for illustration purposes

Outperformance 2010 – 9M2016

	Q1 2016	Q2 2016	Q3 2016	9M 2016	Q4 2016	FY 2016
Growth rate Automotive ¹⁾	5.0%	5.8%	5.1%	5.3%	to come	to come
Light Vehicle Production ²⁾	0.9%	2.8%	5.1%	3.4%	5.8%	4.4%
Outperformance	4.1%	3.0%	0.0%	1.9%		



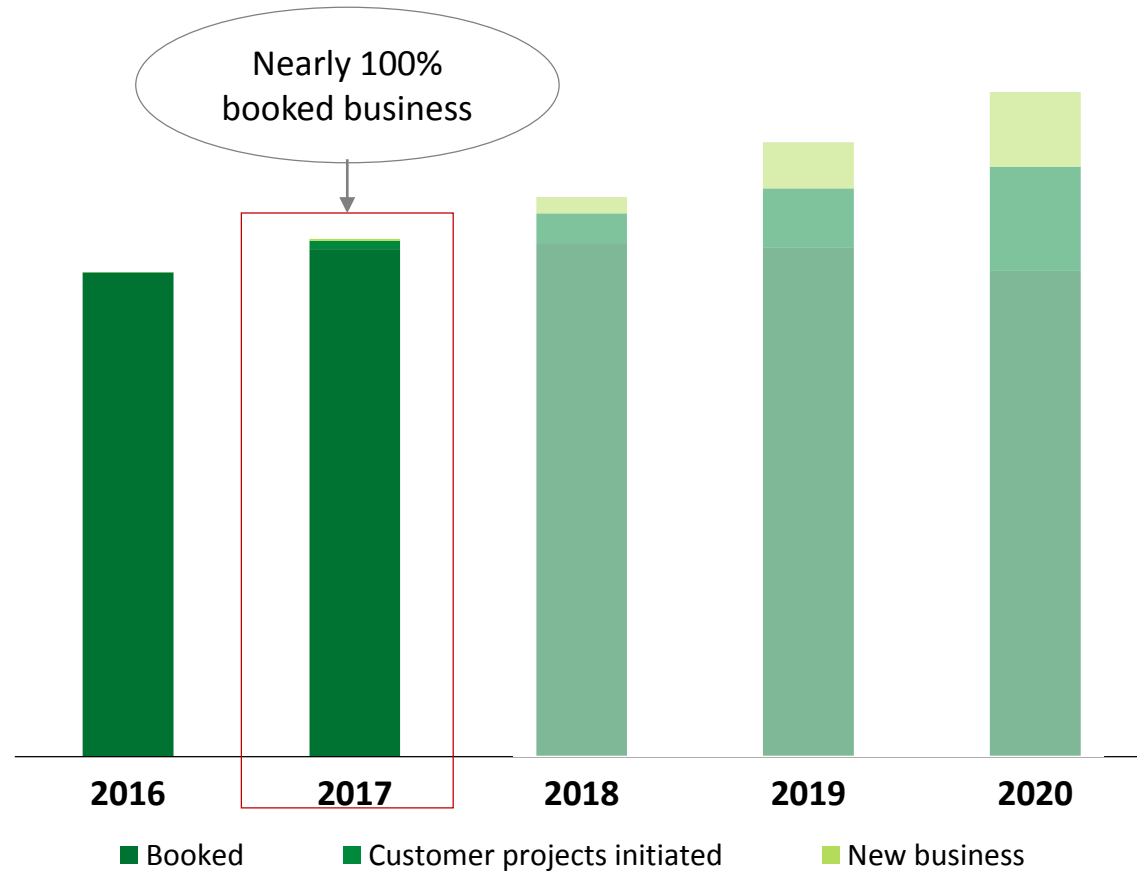
¹⁾ Before FX effects
²⁾ Source: IHS

Key aspects

- ▶ Historical outperformance 2010 – 9M 2016 above internal benchmark of plus 4%-pts
- ▶ Above vehicle production in 2016 with strong 4th quarter
- ▶ Schaeffler outperformance 9M 2016 1.9% due to:
 - Trucks effect: Truck sales is part of our total Automotive sales, weak markets dampening growth
 - Phase out effect: Phase-out of two projects affecting growth rate negatively in 2016
 - Americas mix effect: OEM stopped production of two small sedans as market was shifting to SUVs and light trucks

1 Outperformance Automotive 2017 – Back to plus 4%-pts above-market

Sales development



¹⁾ At constant currency

Key aspects

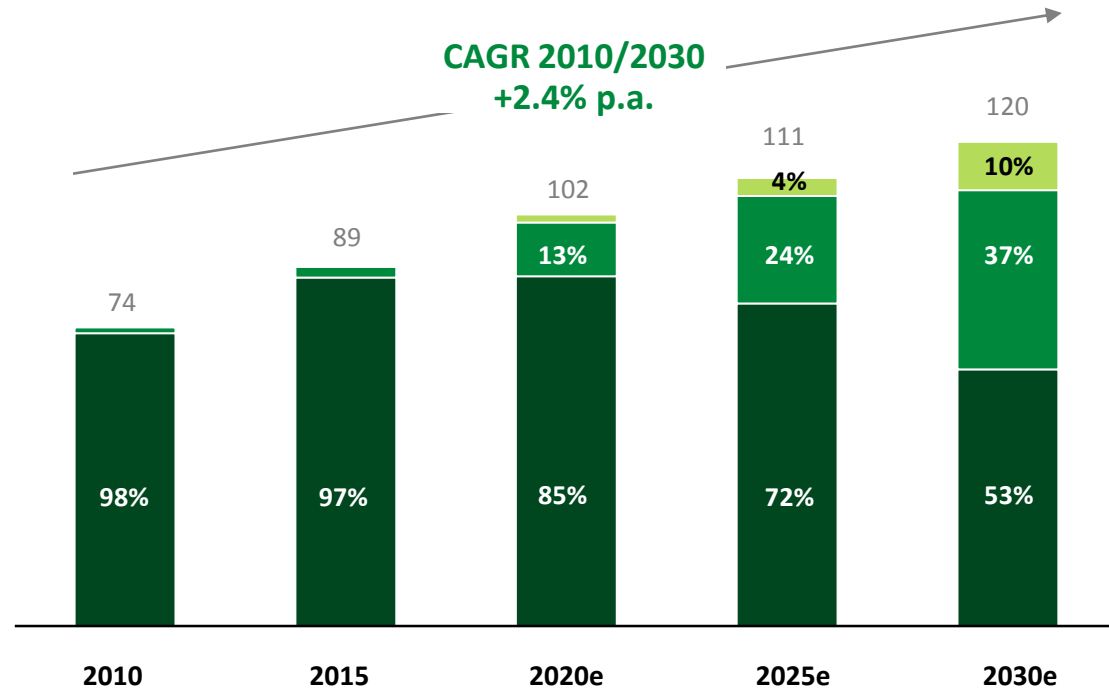
- ▶ Expected global light vehicle production growth of around 1.5% for 2017
- ▶ Sales growth Schaeffler 2017 supported by strong orderbook (nearly 100% booked business)
- ▶ Several high-volume launches and above-average content per vehicle
 - UniAir system (Europe)
 - Electromechanical camphaser
 - Torque converter (US)
 - Dual-clutch transmission (China)

4%-pts outperformance in 2017

2 E-Mobility – Accelerated scenario becomes more realistic

Global production volume ¹⁾
in millions of units

Basic scenario ²⁾



CAGR 2010/2030
+2.4% p.a.

Source: IHS, LMC Automotive, Schaeffler Group projections

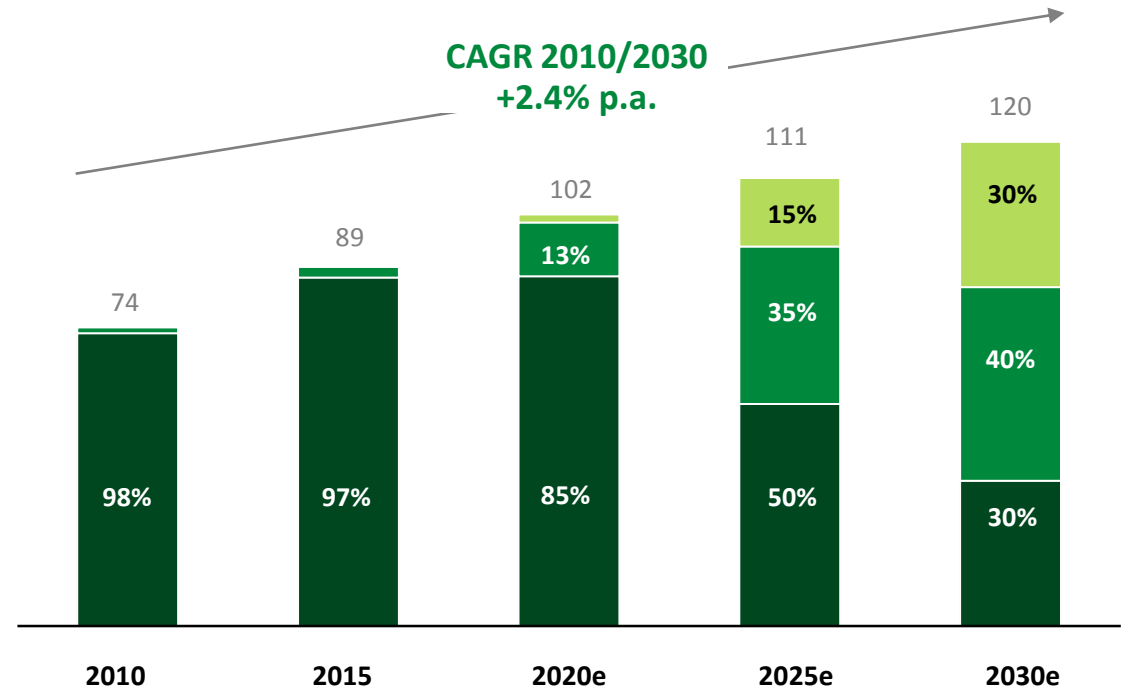
¹⁾ Annually expected global production volume, automobiles/small utility vehicles in millions of units

²⁾ Schaeffler estimates

- Battery electric vehicles
- Hybrid vehicles
- Internal combustion engines

Global production volume ¹⁾
in millions of units

Accelerated scenario ²⁾



CAGR 2010/2030
+2.4% p.a.

Source: IHS, LMC Automotive, Schaeffler Group projections

¹⁾ Annually expected global production volume, automobiles/small utility vehicles in millions of units

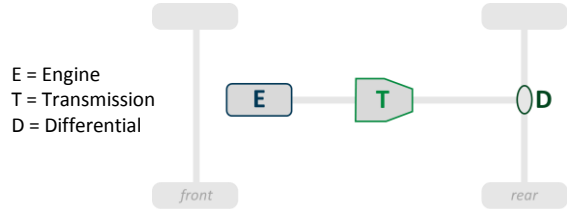
²⁾ Schaeffler estimates

- Battery electric vehicles
- Hybrid vehicles
- Internal combustion engines

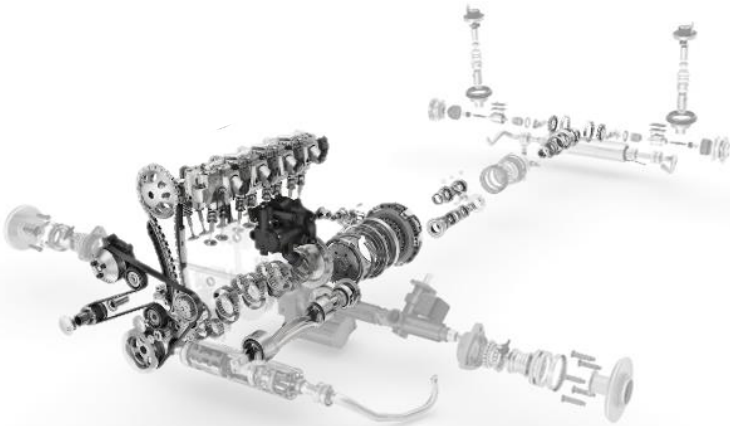
2 E-Mobility – 3 main powertrain structures

1 Internal combustion engines

► Powertrain structure



► Powertrain portfolio



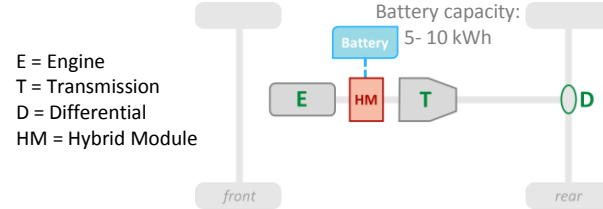
Existing Schaeffler portfolio

Est. Content per Vehicle
50 – 500 Euro

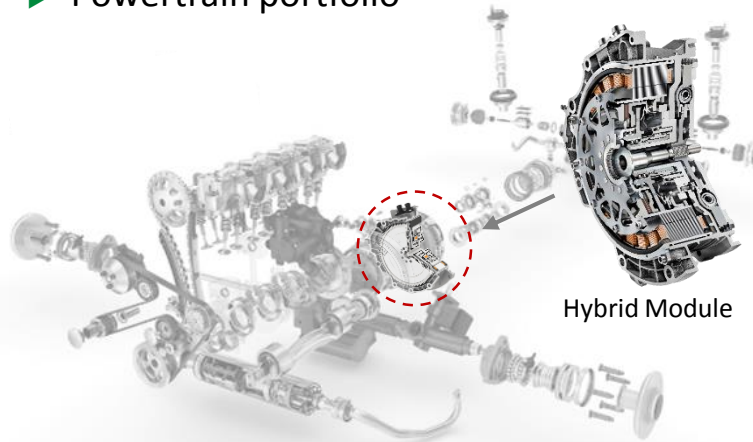
¹⁾ Bearings; Planetary Gears

2 Hybrid vehicles

► Powertrain structure



► Powertrain portfolio

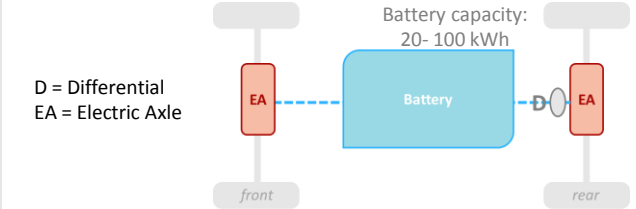


Existing Schaeffler portfolio + Hybrid Module

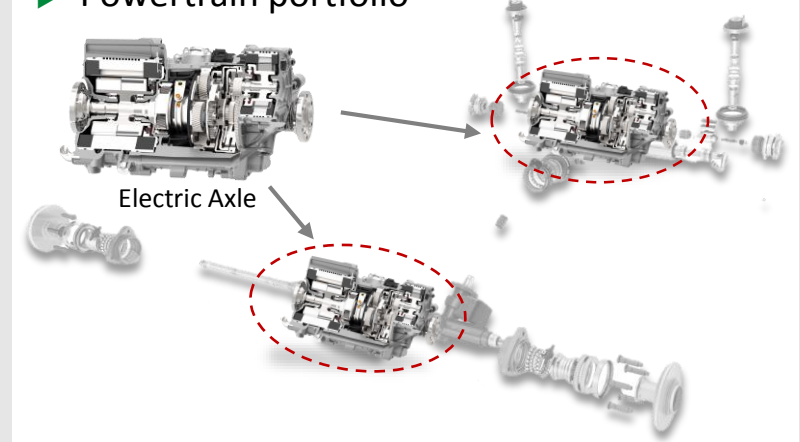
Est. Content per Vehicle₂₀₂₀
200 – 1,000 Euro

3 Battery electric vehicles

► Powertrain structure



► Powertrain portfolio

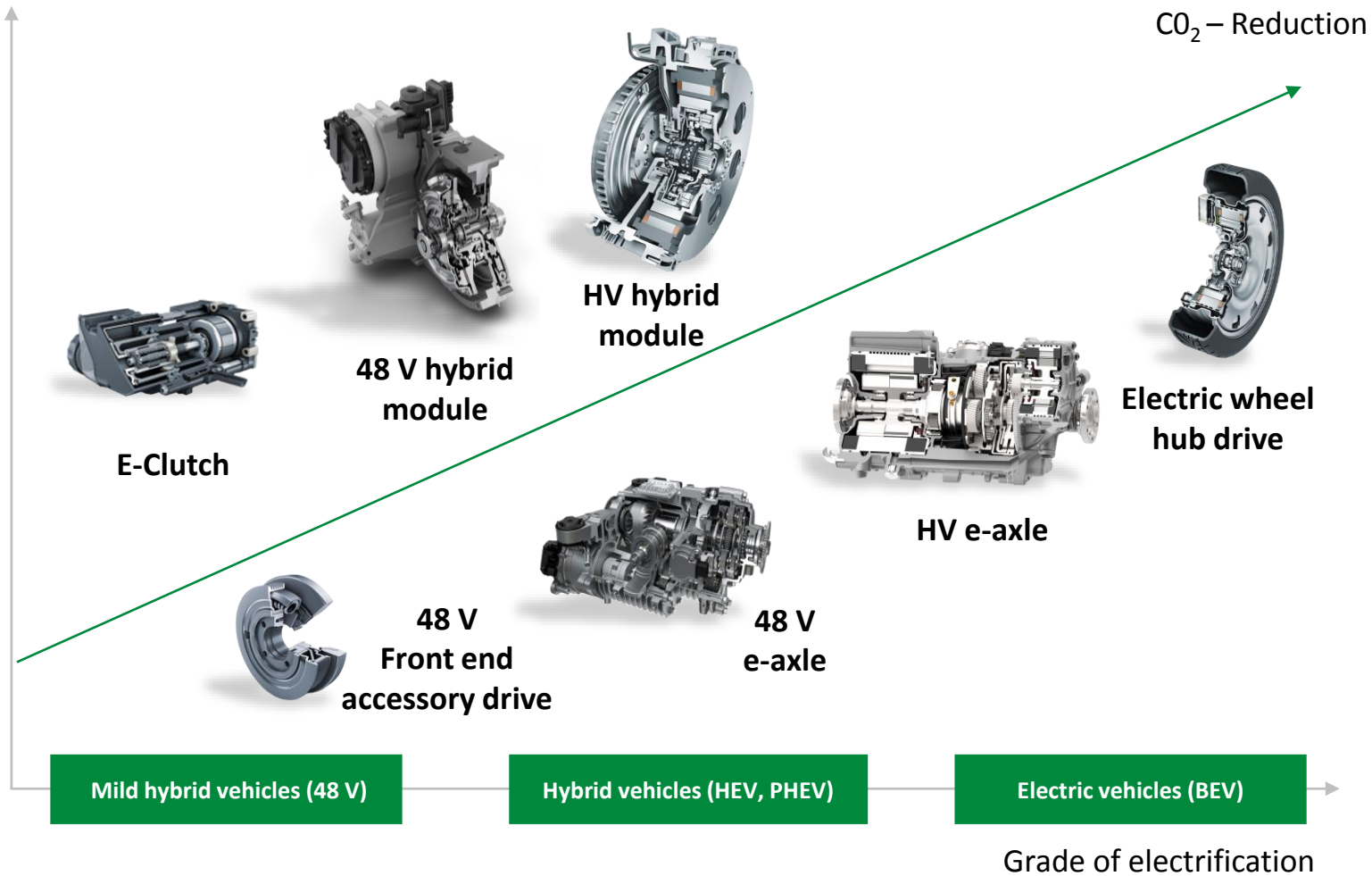


Selected components¹ + Electric Axles

Est. Content per Vehicle₂₀₂₀
25 – 1,250 Euro

2 Strong starting position in e-mobility – Broad portfolio of solutions

Product portfolio



Key aspects

1999

1st Schaeffler E-Mobility symposium

2002

1st E-Mobility concept car

2005

1st serial production of components for hybrid modules

2016

- ▶ 500 Million Euro investment to date¹⁾, 1,200 employees globally
- ▶ More than 20 customer projects
- ▶ 6 series contracts for hybrid modules and e-Axles

2020

- ▶ Further 500 Million Euro investment¹⁾
- ▶ Doubling of employees in R&D and manufacturing

¹⁾Including R&D

2 More than 20 customer projects – 6 series contracts

Americas

Hybrid Module with Integrated Torque Converter
Tier 1
SOP Q4/2018

Europe

1-Gear Electric Axle
Front + Rear
Tier 1
SOP Q3/2018

1-Gear Electric Axle
Front
Tier 1
SOP Q3/2019

China

Hybrid Module
Tier 1
SOP Q1/2018

2-Gear Electric Axle
Rear
Tier 1
SOP Q4/2017

Hybrid Modules

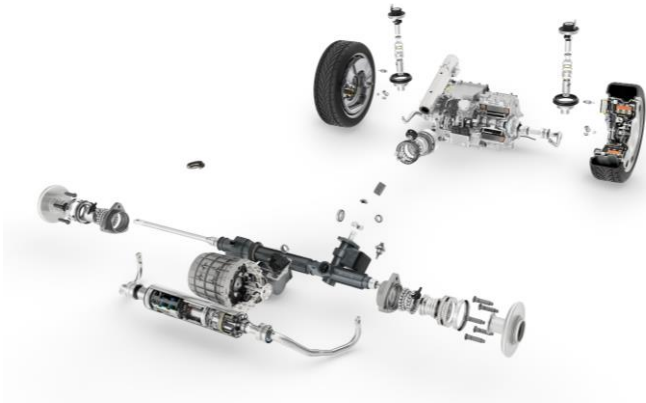
- ▶ 2 series contracts received
- ▶ **More than 10** customer projects ongoing

E-Axles

- ▶ 4 series contracts received
- ▶ **More than 10** customer project ongoing

2 Compact Dynamics acquired – Broadening competence and scope

1 System and Powertrain Competence



- ▶ 500 Million Euro investment to date¹⁾, 1,200 employees globally
- ▶ More than 20 customer projects
- ▶ 6 series contracts for hybrid modules and e-axles

2 Acquisition

Compact Dynamics

- ▶ Schaeffler acquires a 51% stake in Compact Dynamics GmbH from SEMIKRON International GmbH.
- ▶ Closing expected in Q1 2017; call option for remaining 49% stake until June 2018.
- ▶ Compact Dynamics is a development specialist in the field of innovative, electric drive concepts

3 Cooperation

SEMIKRON

- ▶ At the same time, SEMIKRON and Schaeffler establish a cooperation to develop power electronic solutions for alternative drive concepts
- ▶ SEMIKRON is a worldwide leader for innovative power electronics
- ▶ Schaeffler is significantly expanding its expertise in e-motors and power electronics

SCHAEFFLER

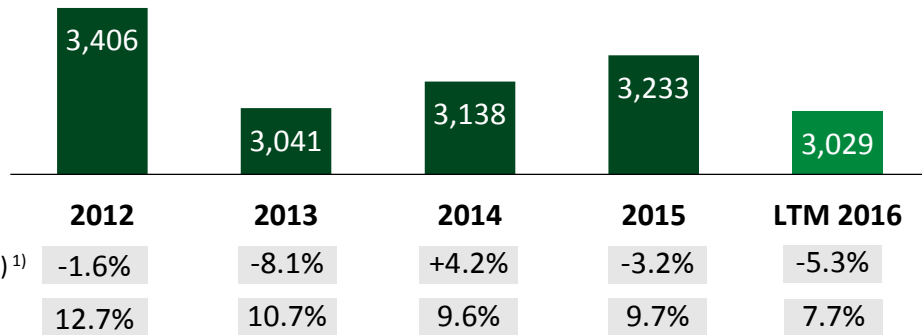


HV E-Axle

**Quality,
Technology and
Innovation**

Sales and EBIT margin 2012 – LTM 2016

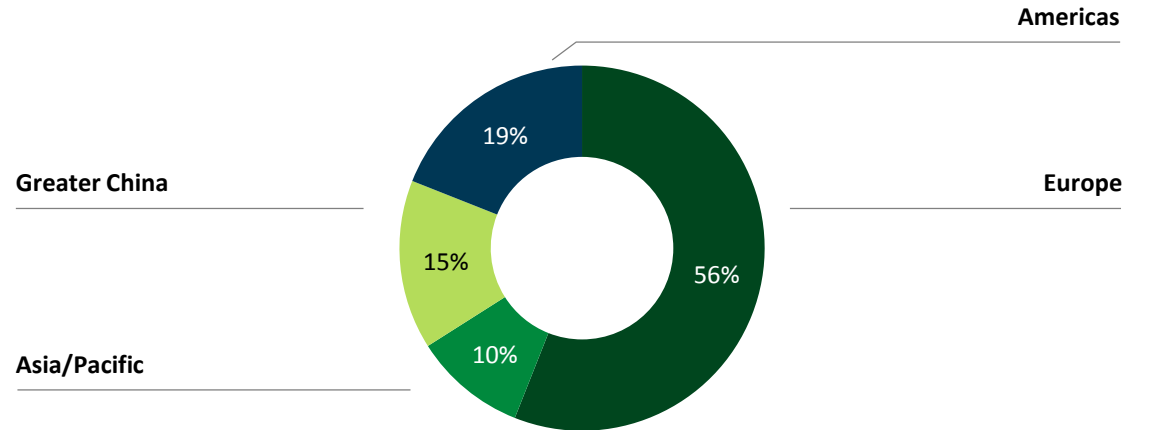
in EUR mn



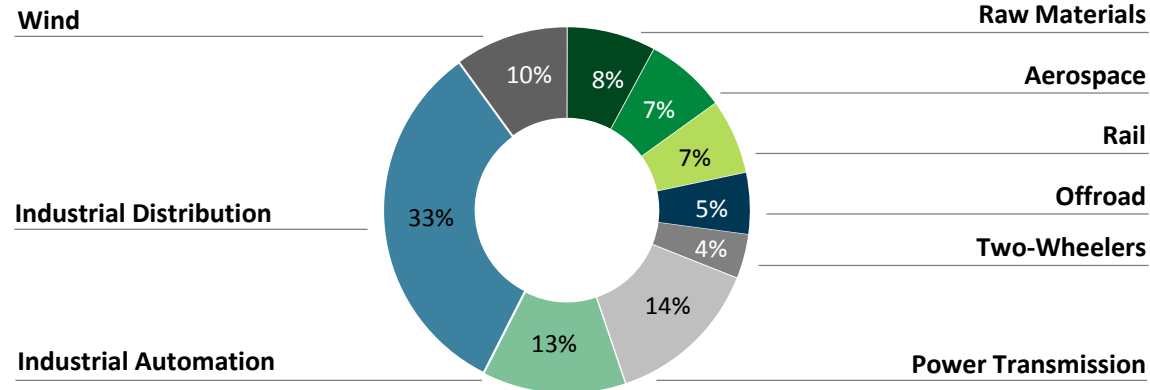
¹⁾ Before FX effects

²⁾ Before one-off effects

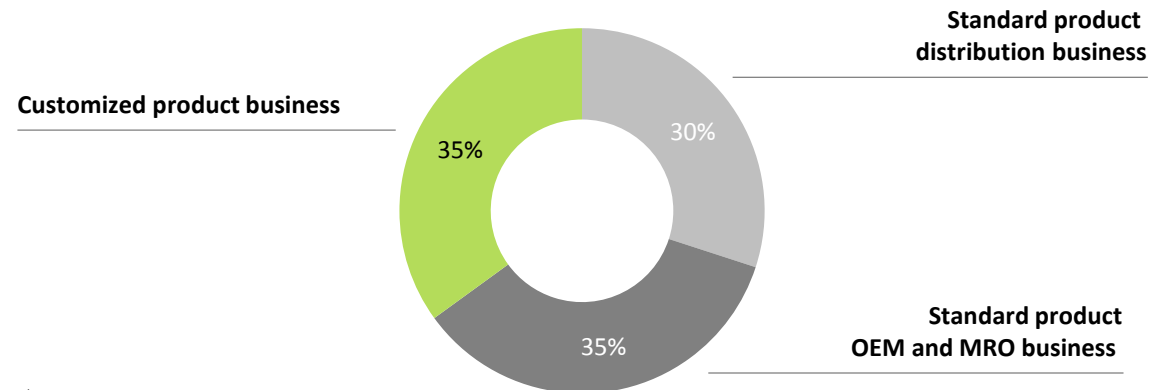
Sales by region 2015



Sales split by sector cluster & distribution channel 2015



Sales by business model 2015¹⁾



¹⁾ Including service business



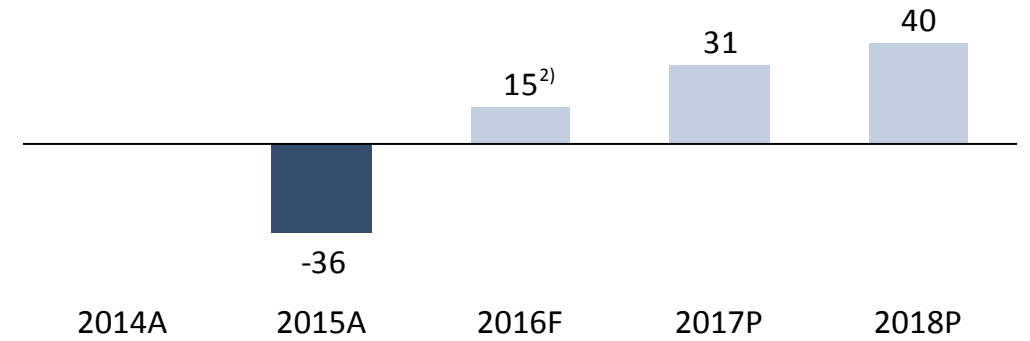
3 Cost reduction and efficiency improvements – First wave mostly completed in 2016

Key aspects

- ▶ First wave announced in August 2015
- ▶ Cost savings through HCO reduction in overhead functions of the Industrial Division
- ▶ Reduction of 500 HCO mainly in Germany until 12/2017
- ▶ Approximately 40 EUR mn overhead cost savings (full run rate 2018)
- ▶ 36 EUR mn restructuring provisions (booked in Q IV 2015)

Indicative Financial Impact

Δ EBIT in EUR mn



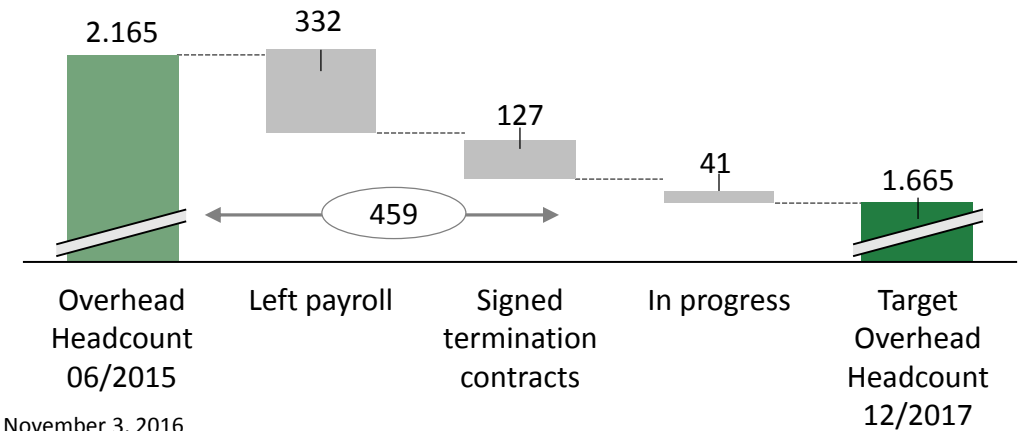
¹⁾ Financial impact in specific year

²⁾ thereof 9 mn Euro YTD September 2016

EBIT Improvement One-off effects

HCO reduction Overhead

Completion Ratio ~90% ³⁾



³⁾ as of November 3, 2016

3 Cost reduction and efficiency improvements – Second wave initiated in 2016

Key aspects

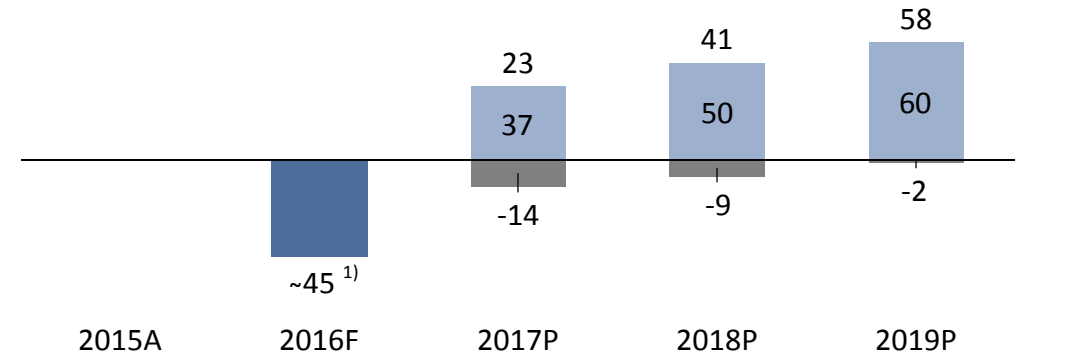
- ▶ Second wave announced in November 2016
- ▶ Cost savings through consolidation of plants in Europe and Americas and HCO reduction in overhead functions also outside the Industrial division
- ▶ Reduction of 500 HCO in Germany¹⁾, Europe and other regions targeted
- ▶ Approximately 60 EUR mn improvement from Gross Profit optimization and Overhead cost reduction until 2019 planned
- ▶ Around 75 EUR mn one-off-cost until 2019 of which approximately 50 EUR mn shall be booked as restructuring provisions as of year end 2016

¹⁾ Subject to negotiation with working council

Indicative figures

Indicative Financial Impact

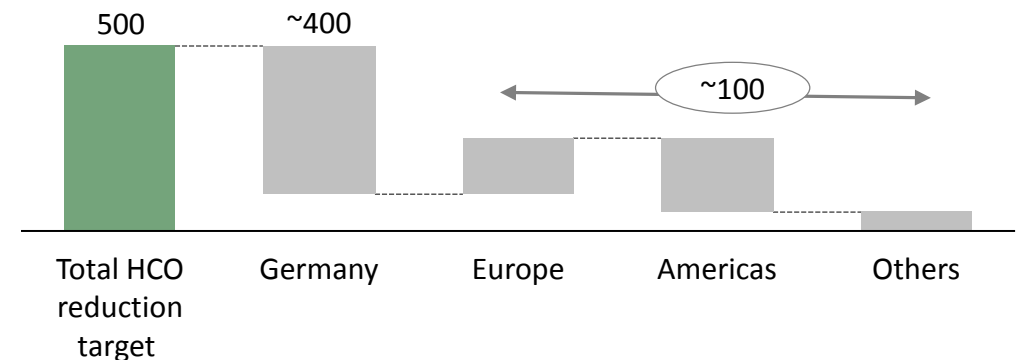
Δ EBIT in EUR mn



¹⁾ 2016-2019 in total 75 mn Euro, thereof 50 mn Euro booked as restructuring provision

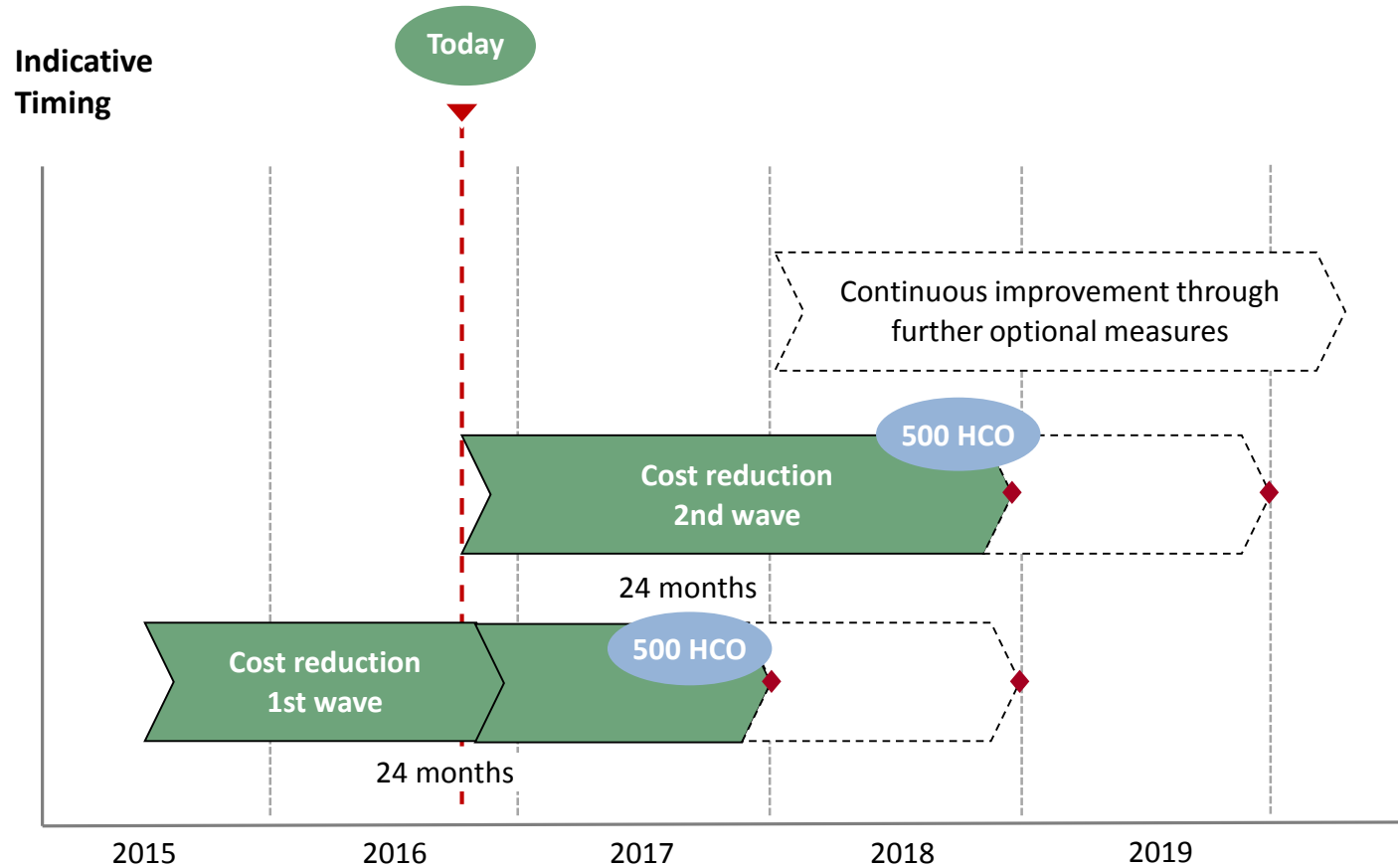
■ EBIT Improvement ■ One-off costs

HCO reduction Plants/Overhead



3 Cost reduction and efficiency improvements – Overall target remains in place

Successful implementation



Financial ambitions



3 Customer focus and growth – New business picking up

Example 1

Railway

Sectors and products



- ▶ E-locomotive
- ▶ Tapered and cylindrical roller bearing with ceramic coating; TAROL for Wheelset and Axle box housing
- ▶ Supplier network



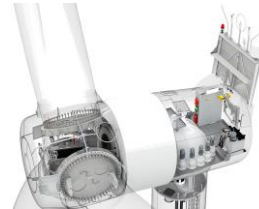
Signed 12/2016

10-year contract
Two-digit Euro mn

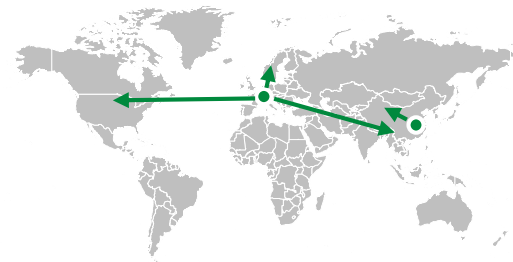
Example 2

Wind

Sectors and products



- ▶ Wind turbine
- ▶ Durotect B coated spherical roller bearing with WPOS
- ▶ Supplier network



Signed 09/2016

1-year contract
Two-digit Euro mn

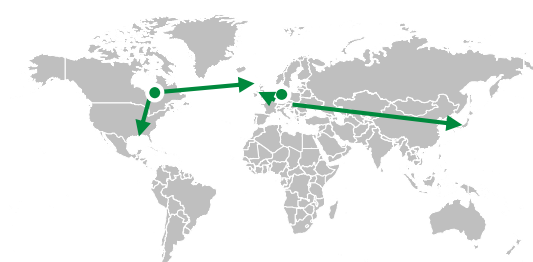
Example 3

Aerospace

Sectors and products



- ▶ Aerospace engine
- ▶ Bearings and components for key engine programs; Main shaft and gearbox bearings
- ▶ Supplier network



Signed 12/2016

5-year contract
Three-digit Euro mn

4 Use of cash – M&A strategy based on selected add-on acquisitions

M&A strategy

Approach

- ▶ Focus on technological competence to maintain our strong position as technology and innovation leader
- ▶ Focus on smaller add-on acquisitions that contribute to a sustainable value creation

Acquisition Criteria

- ▶ Strategic and cultural fit, technological excellence and value contribution as the most important acquisition criteria
- ▶ Possible acquisitions will be in the three-digit million range

Automotive & Industrial

- ▶ Attractive pipeline of potential acquisition targets for both divisions
- ▶ Focus in Automotive and Industrial is on technology and on strengthening market positions

Use of cash

External growth

Add-on acquisitions



Use of Cash

Deleveraging

Further optimization of balance sheet

Dividends

30-40% of net income

1 Schaeffler is a leading global automotive and industrial supplier with an established strategy "Mobility for tomorrow" and clear Financial Ambitions until 2020

2 Outperformance Automotive below-average in 2016, but back to 4%-pts target in 2017

3 Powertrain electrification requires alignment of product portfolio offering significant growth potential; more than 20 customer projects, 6 series contracts with top customers

4 Program CORE on track; second wave of efficiency measures initiated; increasing customer business

5 Strong cash flow generation allows for balanced use of cash including healthy dividend payments and add-on acquisitions

6 Foundations laid to achieve ambitious long-term financial targets

Mobility for tomorrow



Investor Relations

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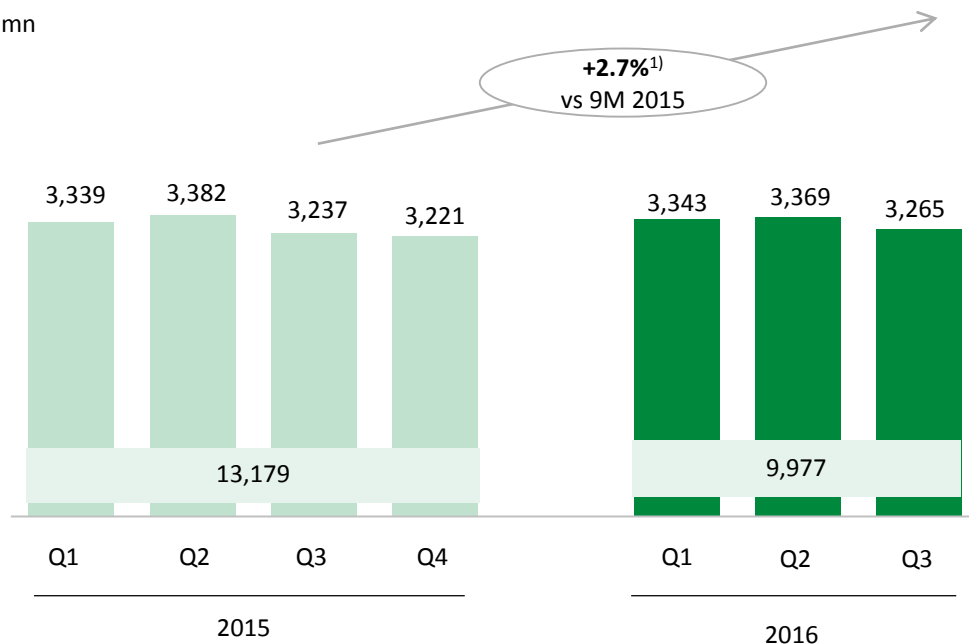
Financial Calendar

FY 2016 results:	March 8, 2017
Q1 2017 results:	May 11, 2017
H1 2017 results:	August 8, 2017
9M 2017 results:	November 8, 2017

Sales growth 9M 2016 2.7% (FX-adjusted)

Sales

in EUR mn



FX-adjusted sales growth in %

Year	Q1	Q2	Q3	Q4	Total 9M
2015	5.3	4.5	2.9	1.3	3.5
2016	2.4	3.3	2.3	-	2.7

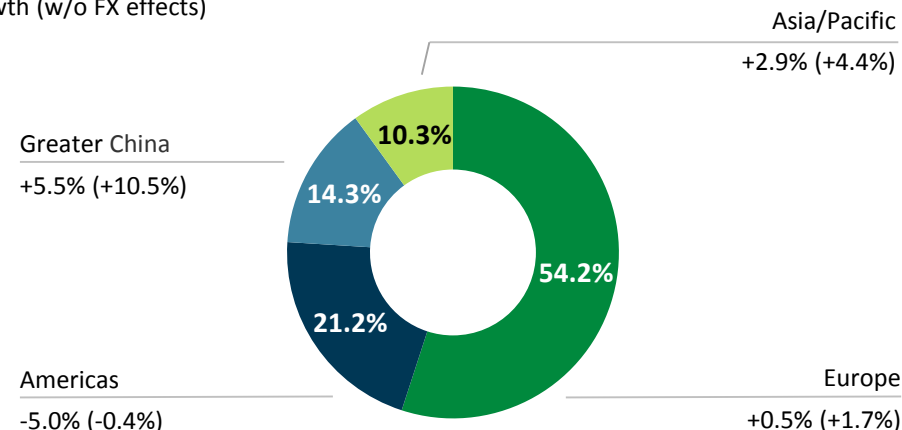
EBIT margin²⁾ in %

Year	Q1	Q2	Q3	Q4	Total 9M
2015	13.2	11.4	13.4	13.0	12.3
2016	12.6	13.0	12.8	-	12.8

1) FX-adjusted
2) Before one-off effects

Sales by region 9M 2016

y-o-y growth (w/o FX effects)



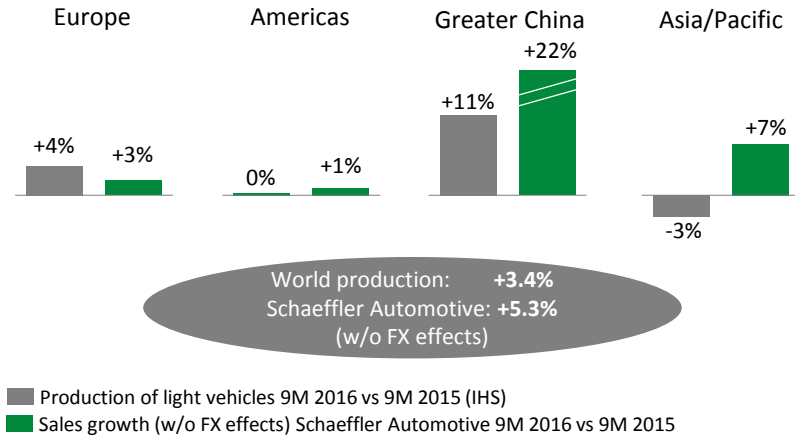
Sales by division

Y-o-y growth (w/o FX effects)

	9M15	9M 16	Δ (w/o FX effects)	Q3 15	Q3 16	Δ (w/o FX effects)
Auto-motive	7,511	7,703	+5.3%	2,442	2,524	+5.1%
Industrial	2,447	2,274	-5.3%	795	741	-6.2%
Total	9,958	9,977	+2.7%	3,237	3,265	+2.3%

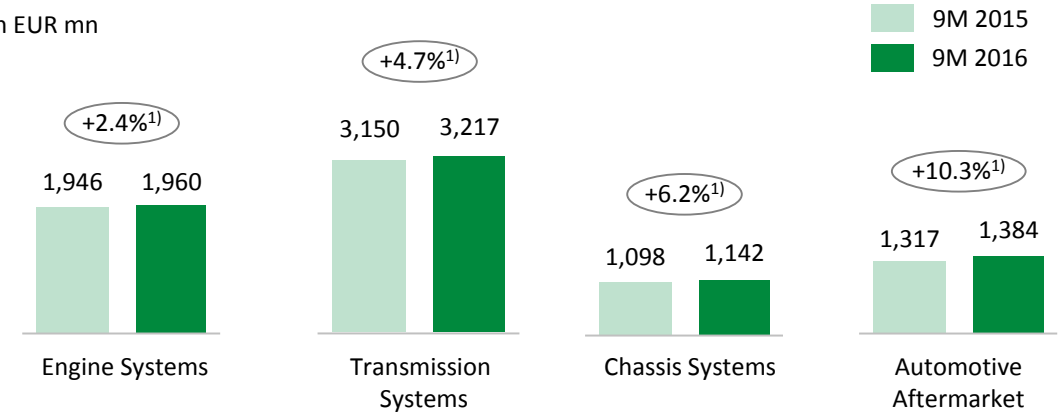
Automotive – Strong growth in Greater China

Automotive sales and market development 9M

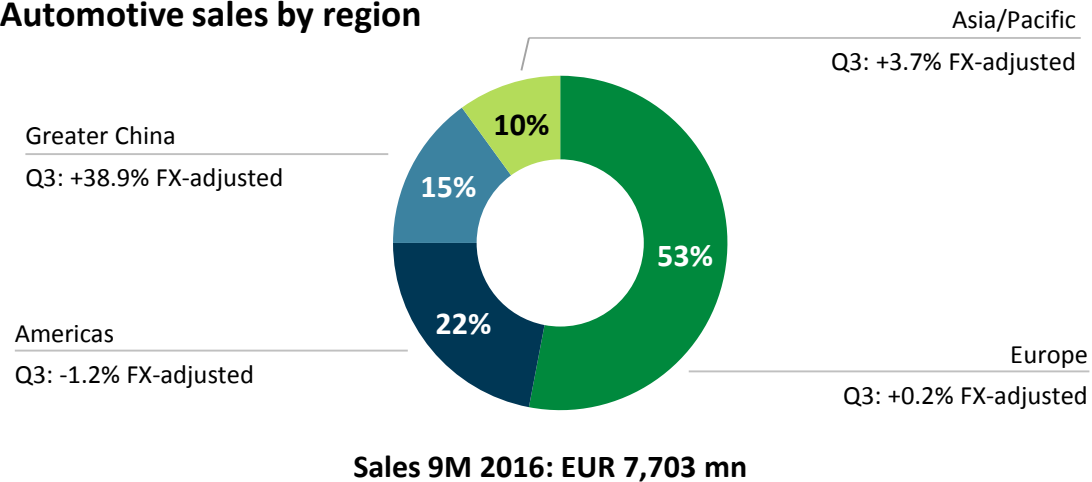


Automotive sales by division 9M

in EUR mn

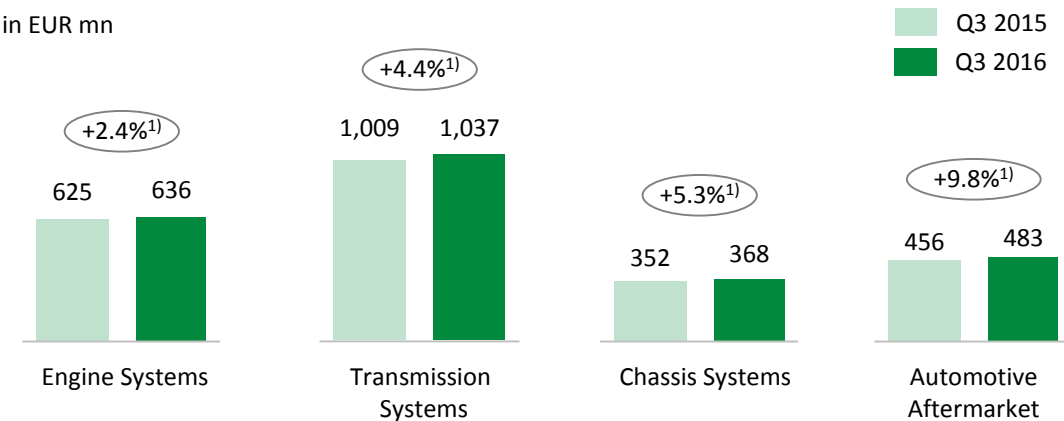


Automotive sales by region



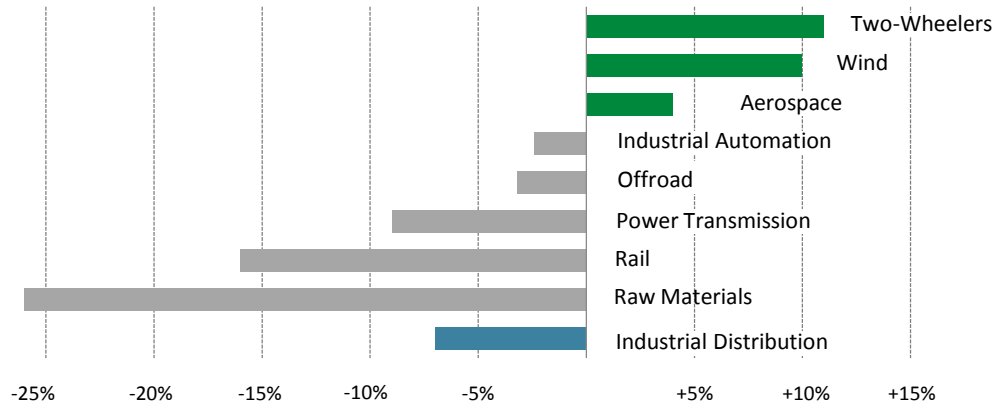
Automotive sales by division Q3

in EUR mn

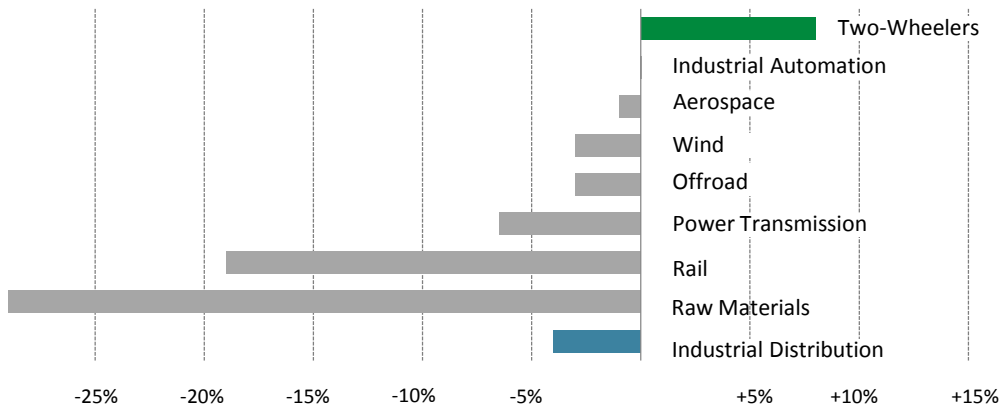


1) Growth rates FX-adjusted

Industrial sales by sector cluster 9M¹⁾



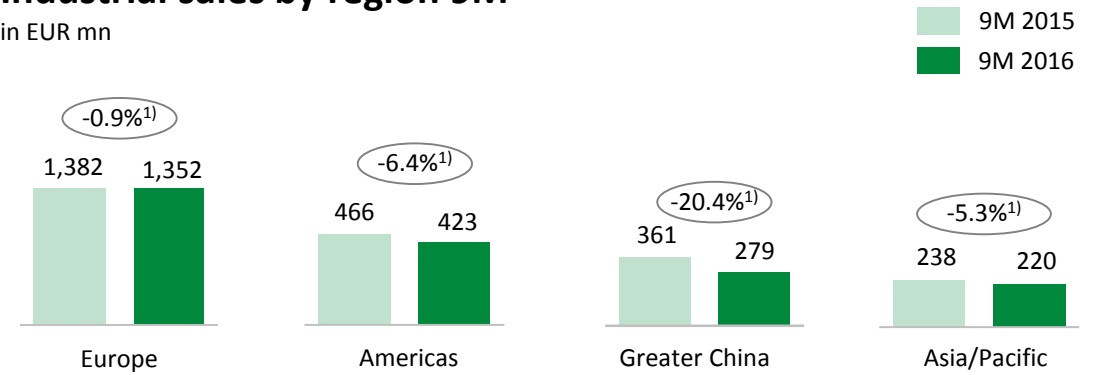
Industrial sales by sector cluster Q3¹⁾



1) FX-adjusted

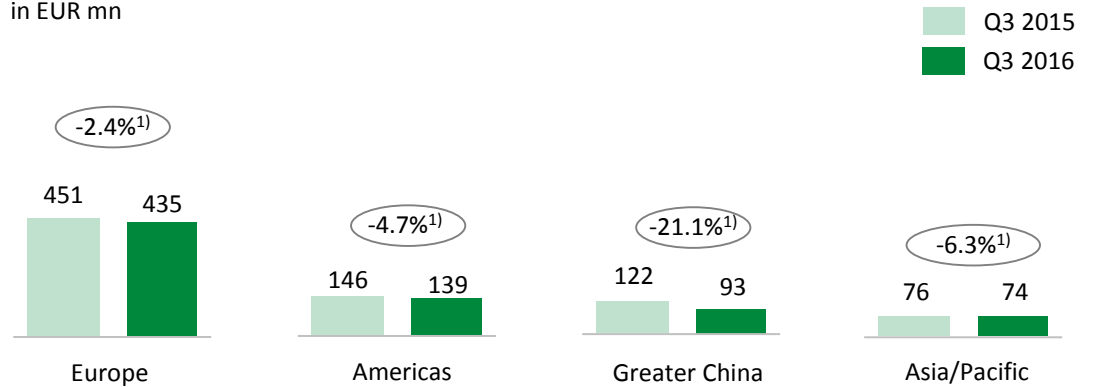
Industrial sales by region 9M

in EUR mn



Industrial sales by region Q3

in EUR mn



1) Growth rates FX-adjusted

Strong Free Cash Flow generation

Free Cash Flow

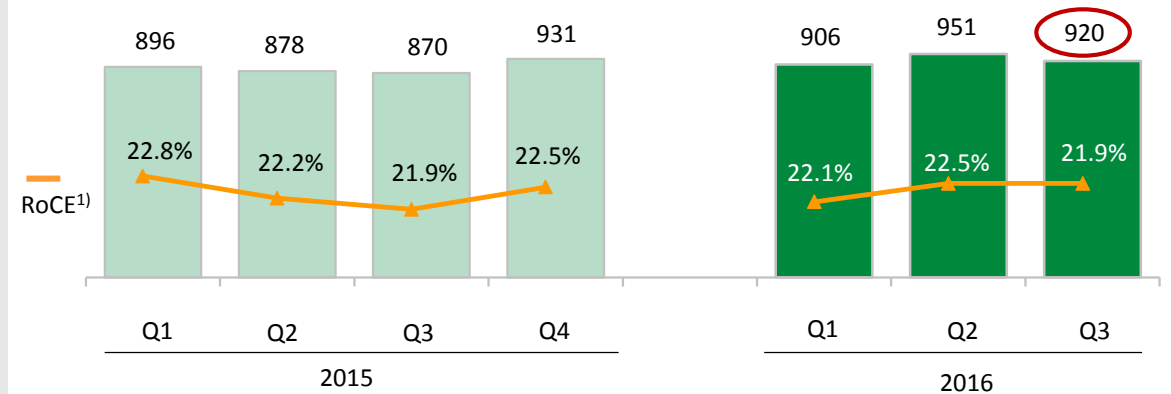
	9M 2015	9M 2016	Q3 2015	Q3 2016
EBITDA	1,765	1,817	604	600
Net interest paid	-389	-87	-50	-53
Income taxes paid	-247	-234	-89	-73
Working capital change	-273	-303	-40	-16
Others	56	112	65	70
CF from Operations	912	1,305	490	528
Capex	-743	-829	-242	-268
<i>in % of Sales</i>	7.5	8.3	7.5	8.2
Others	23	3	16	3
CF from Investments	-720	-826	-226	-265
Free Cash Flow	192	479	264	263
Cash & cash equivalents	724	2,565	724	2,565

Key aspects

- ▶ Free Cash Flow increased by EUR 287 mn to EUR 479 mn in 9M 2016
- ▶ Net interest paid dropped by EUR 302 mn in 9M 2016
- ▶ EUR 829 mn capex in 9M 2016
- ▶ Schaeffler Value Added EUR 920 mn

Schaeffler Value Added (LTM)¹⁾

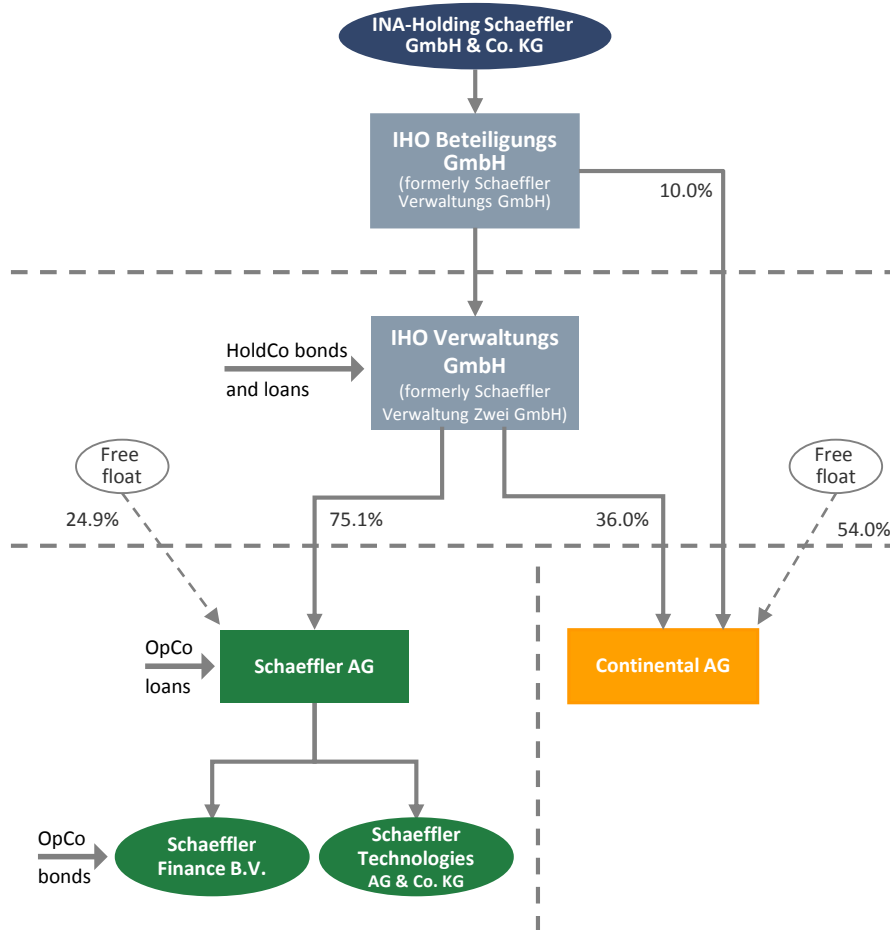
in EUR mn



1) Before one-off effects

Corporate Structure (simplified)

as of October 14, 2016



Financing Structure

as of October 14, 2016

IHO Verwaltungs GmbH (HoldCo)

	Debt instrument	Nominal (USD mn)	Nominal (EUR mn)	Interest	Maturity	Rating
Loans	Term loan (EUR)	-	425 ¹⁾	E+2.75%	Sep-21	not rated
	RCF (EUR 200 mn)	-	-	E+2.75%	Sep-21	not rated
Bonds	2.75% SSNs 2021 (EUR) ²⁾	-	750	2.75%	Sep-21	Ba1/BB-
	4.125% SSNs 2021 (USD) ²⁾	500	455 ³⁾	4.125%	Sep-21	Ba1/BB-
	3.25% SSNs 2023 (EUR) ²⁾	-	750	3.25%	Sep-23	Ba1/BB-
	4.50% SSNs 2023 (USD) ²⁾	500	455 ³⁾	4.50%	Sep-23	Ba1/BB-
	3.75% SSNs 2026 (EUR) ²⁾	-	750	3.75%	Sep-26	Ba1/BB-
	4.75% SSNs 2026 (USD) ²⁾	500	455 ³⁾	4.75%	Sep-26	Ba1/BB-
Total			4,040			

Schaeffler Group (OpCo)

	Debt instrument	Nominal (USD mn)	Nominal (EUR mn)	Interest	Maturity	Rating
Loans	Term loan (EUR)	-	1,000	E+1.45%	Jul-21	not rated
	RCF (EUR 1,300 mn)	-	-	E+1.05%	Jul-21	not rated
Bonds	2.50% SSNs 2020 (EUR)	-	400	2.50%	May-20	Baa3/BB+
	4.25% SSNs 2021 (USD)	700	636 ³⁾	4.25%	May-21	Baa3/BB+
	3.50% SSNs 2022 (EUR)	-	500	3.50%	May-22	Baa3/BB+
	4.75% SSNs 2023 (USD)	600	545 ³⁾	4.75%	May-23	Baa3/BB+
	3.25% SSNs 2025 (EUR)	-	600	3.25%	May-25	Baa3/BB+
Total			3,681			

1) Up to EUR 600 mn.
 2) Senior Secured PIK Toggle Notes.
 3) EUR/USD = 1.10 as of October 14, 2016.