



Schaeffler AG

17th GCC Kepler Cheuvreux

Jan 17, 2018
Frankfurt

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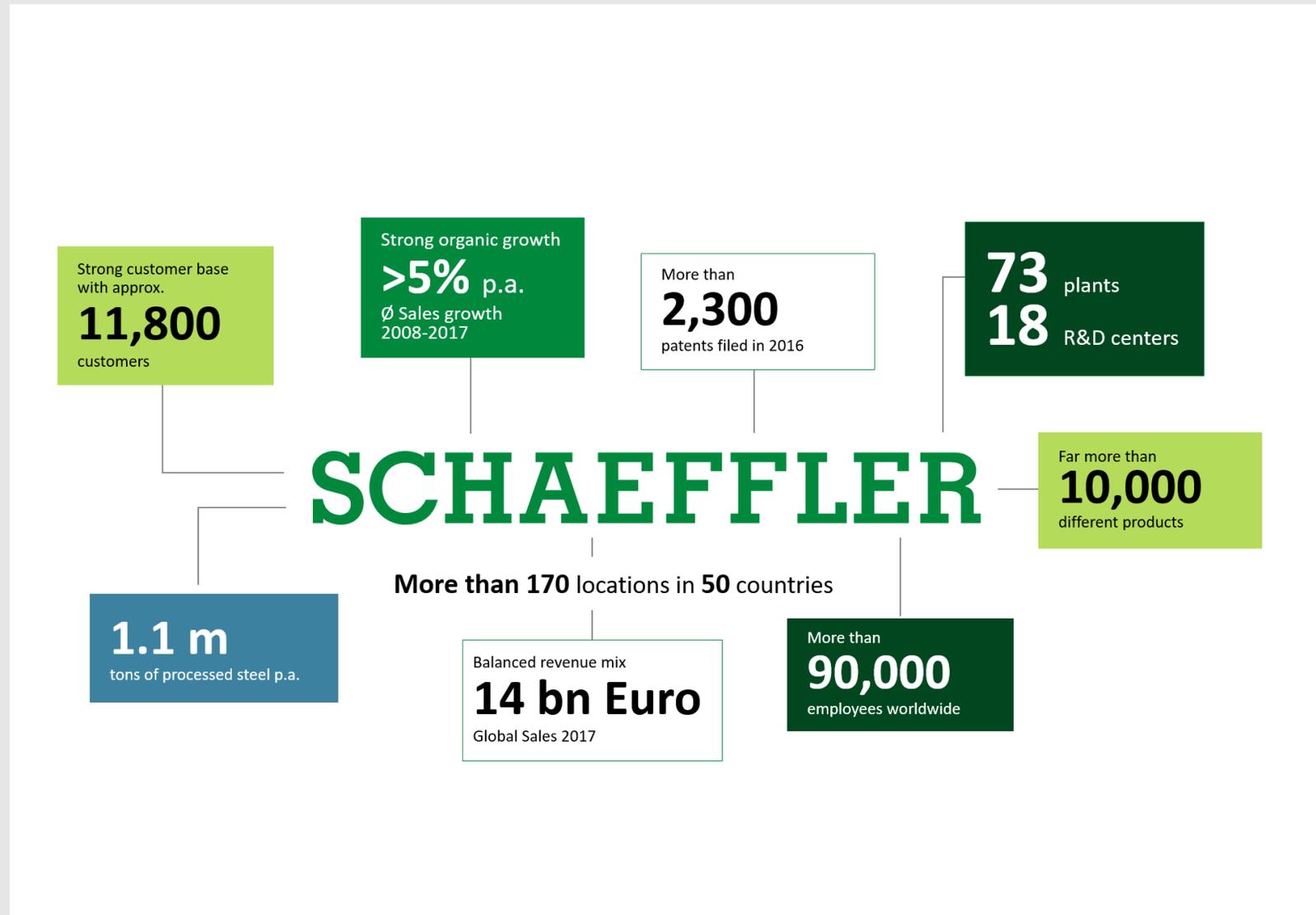
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The material contained in this presentation reflects current legislation and the business and financial affairs of Schaeffler Group which are subject to change.

All Q4 and FY 2017 figures mentioned are preliminary. FY 2017 financials to be released on March 7, 2018.

- 1** Schaeffler at a glance
- 2** Our Financial Highlights 2017
- 3** Our transformation going forward
- 4** Summary

Schaeffler at a glance – A global automotive and industrial supplier

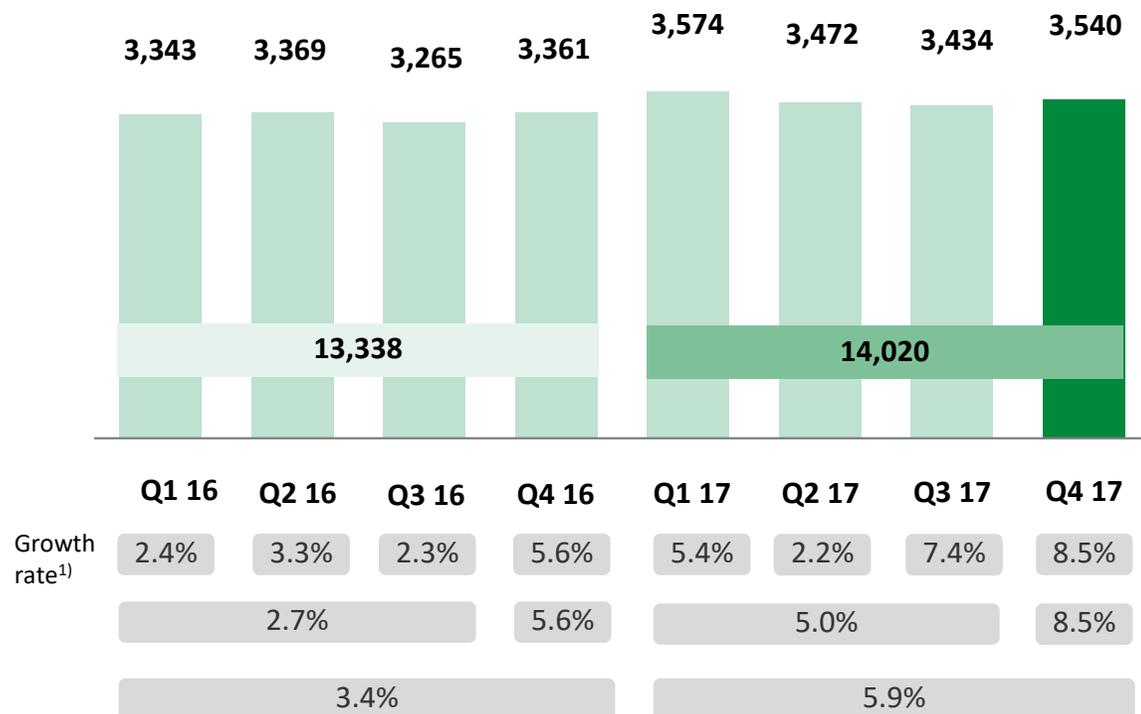


- ▶ Global Automotive and Industrial supplier of high-precision components and mechatronic systems
- ▶ Quality, technology and innovation as key success factors
- ▶ Well defined strategy 'Mobility for Tomorrow'
- ▶ Above average growth and profitability with global sales of EUR 14 bn in 2017
- ▶ Well balanced customer base
- ▶ Global footprint with 73 plants and 18 R&D centers

Indicative figures

Group sales Q1 2016 - Q4 2017

in EURm



1) FX adjusted

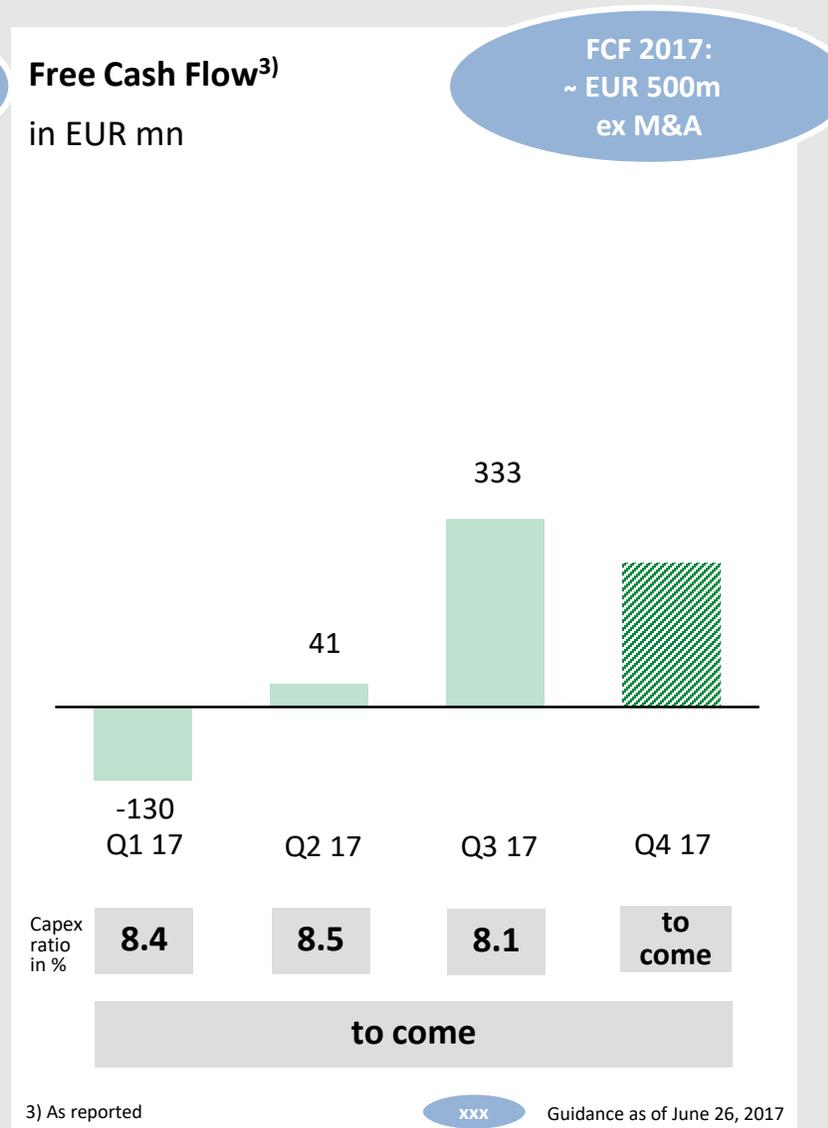
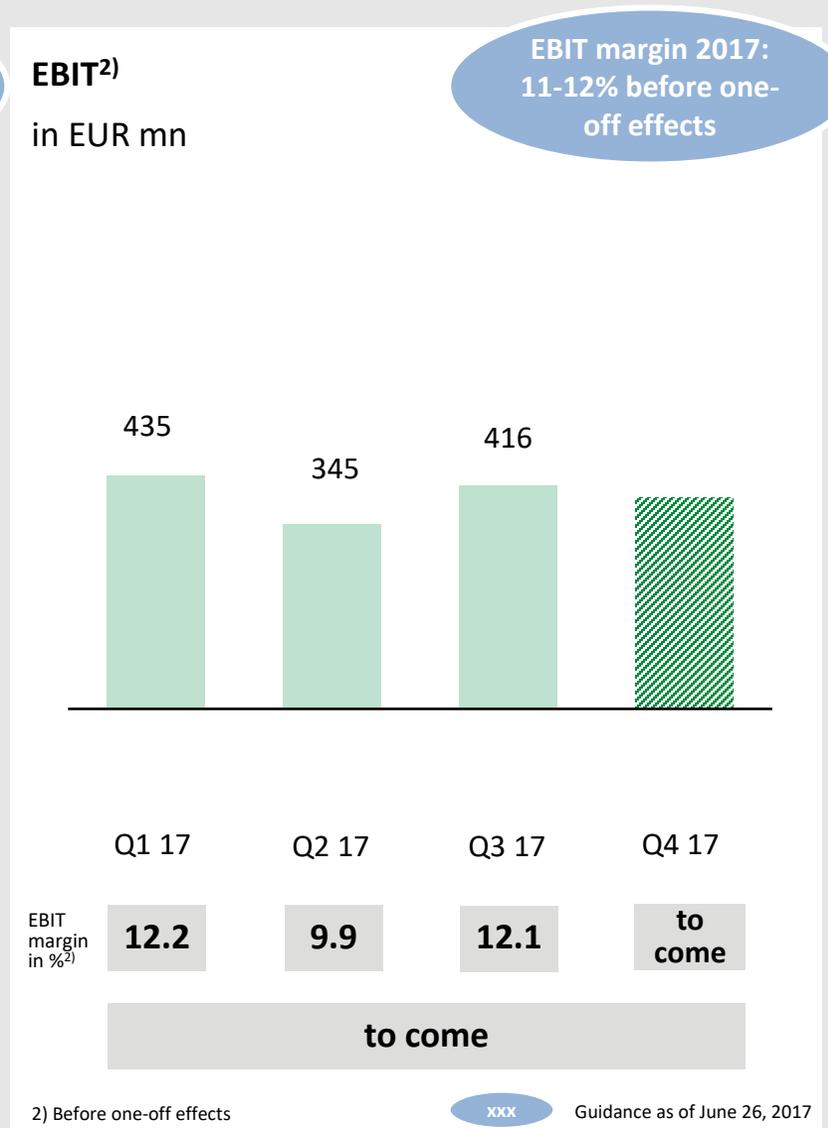
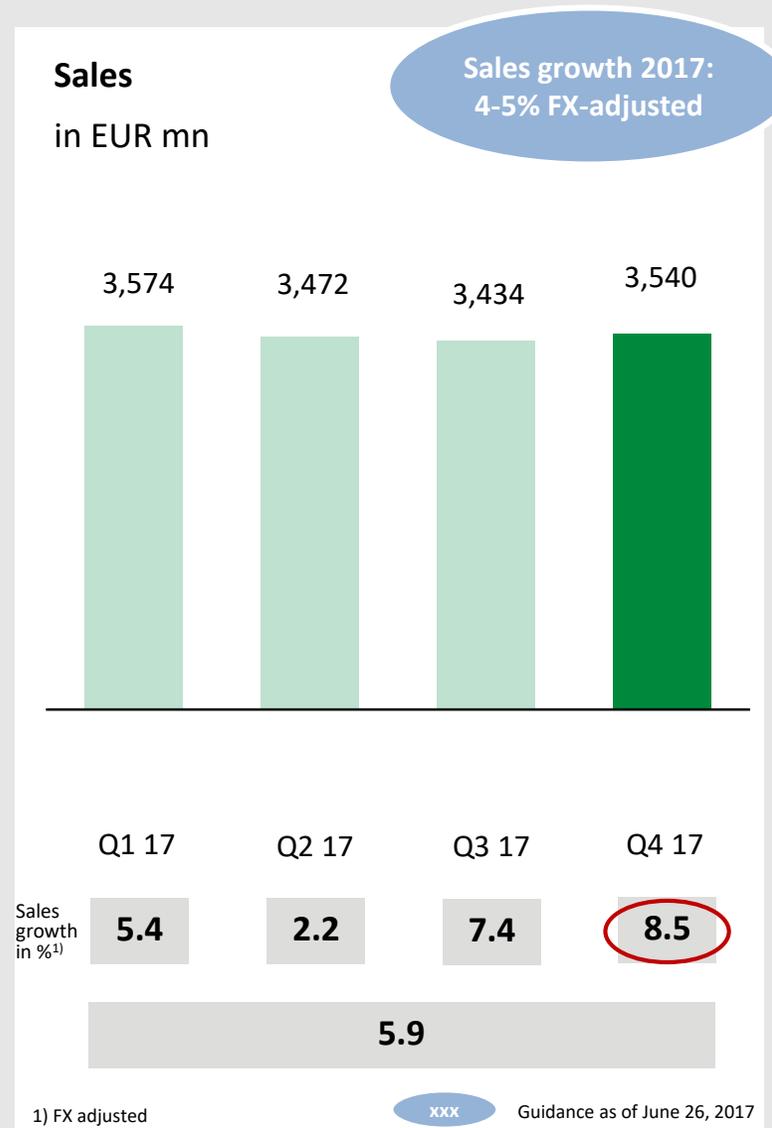
Key aspects

- ▶ FY 2017 sales growth of 5.9% exceeding guidance of 4-5%¹⁾ with all divisions and regions contributing
- ▶ Strong Q4 with 8.5% sales growth¹⁾
- ▶ China as a major driver with 24.1%¹⁾ sales growth in FY 2017
- ▶ Good start into the year 2018

Divisional growth rates¹⁾

	9M 2017	Q4 2017	FY 2017
Automotive	+5.1%	+8.3%	+5.9%
Industrial	+4.6%	+9.0%	+5.6%
Group	+5.0%	+8.5%	+5.9%

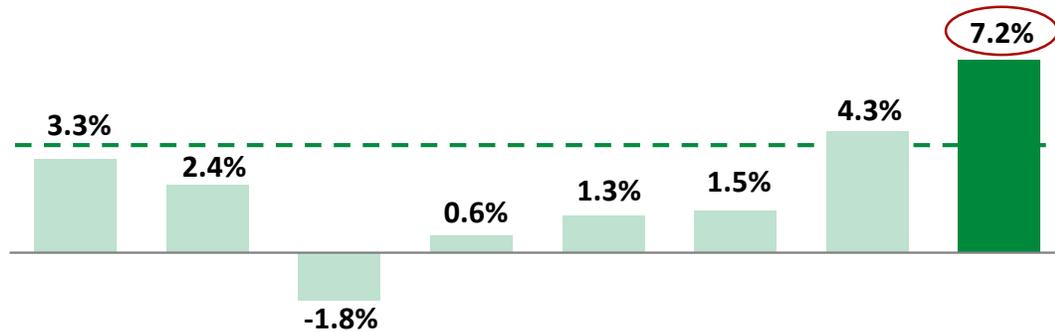
Guidance FY 2017 – Sales growth overachieved



Automotive business – Strong Q4 with 7.2%-pts. outperformance

Outperformance Q1 2016 - Q4 2017

FY 2017
+3.6%-pts.
above market



	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Growth rate Automotive ¹⁾	5.0%	5.8%	5.1%	8.2%	7.0%	1.6%	6.7%	8.3%
Light Vehicle Production ²⁾	1.7%	3.4%	6.9%	7.6%	5.7%	0.1%	2.6%	1.1%
Growth rate Automotive OEM ^{2,3)}	4.0%	4.7%	3.9%	7.3%	6.5%	3.5%	7.3%	8.9%

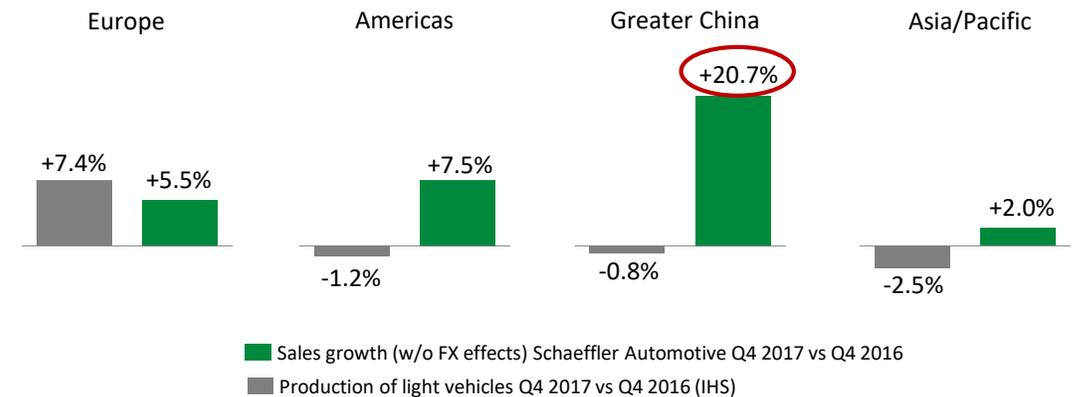
1) FX adjusted
2) Source: IHS; January 2018
3) FX adjusted without Automotive Aftermarket

Indicative figures

Key aspects

- ▶ Significant improvement of outperformance throughout the year 2017
- ▶ Sales growth Automotive Q4 2017 +8.3% leading to outperformance of 7.2% globally
- ▶ Key regional outperformance in Greater China and Americas
- ▶ Automotive OEM Business outperformed the market by 4.3% in FY 2017

Regional outperformance Q4 2017

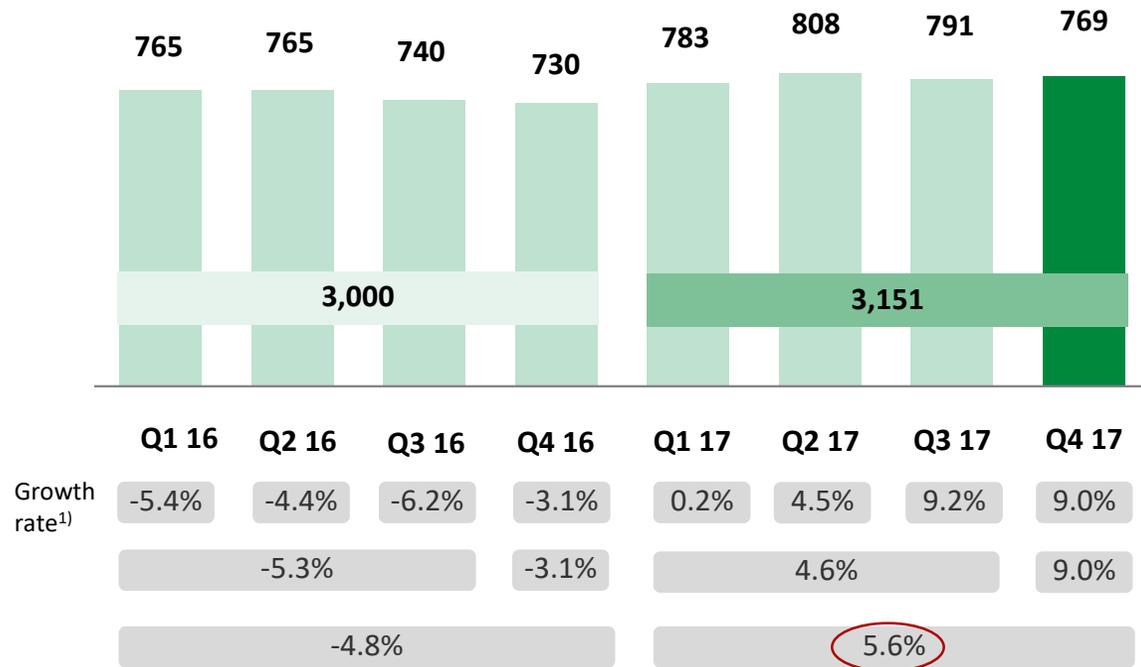


Industrial business – Strong Q4 with 9.0% FX-adjusted growth

Indicative figures

Industrial sales Q1 2016 - Q4 2017

in EURm

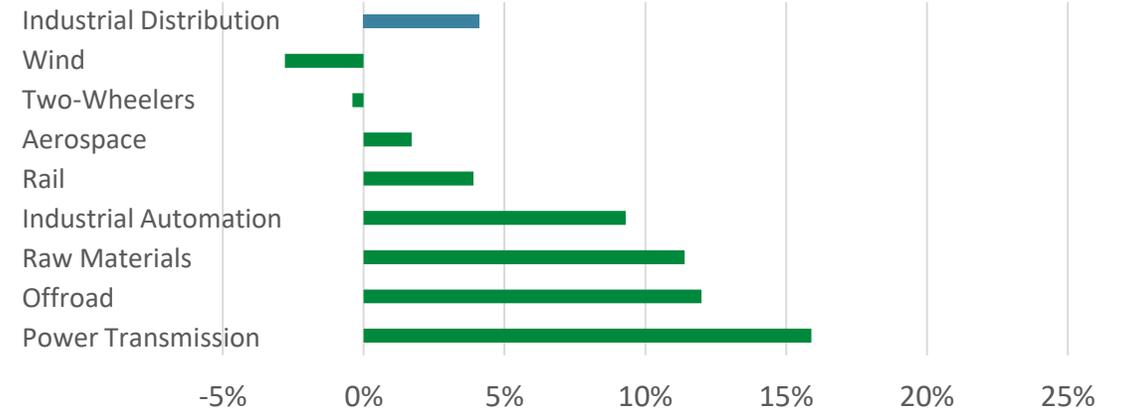


1) FX adjusted

Key aspects

- ▶ Industrial back to growth with FY 2017 sales growth of 5.6%¹⁾
- ▶ Strong Q4 2017 with 9.0% sales growth¹⁾
- ▶ China with 32.2% FX-adjusted growth in Q4
- ▶ Growth in FY 2017 mainly driven by Power Transmission, Offroad and Raw Materials sectors

Industrial sales by sector cluster FY'17¹⁾



Ambitions for 2020

	Guidance for 2017 as of June 26, 2017	Actual figures 2017
Sales Growth	4-5% FX-adjusted	5.9% FX-adjusted ✓
EBIT Margin	11-12% Before one-off effects	to come
Free Cash flow	EUR ~500M w/o external growth	to come

Sales Growth	Ø 4-6% p.a. w/o external growth, FX-adjusted
EBIT Margin	12-13% in 2020 Before one-off effects, w/o external growth
Free Cash flow	EUR ~900M in 2020 w/o external growth
Earnings per Share	EUR ~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 2017

- ▶ Automotive: Global Light Vehicle production growth of around 2%
- ▶ Industrial: Slight volume growth of global Industrial production at constant prices

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

2) Payout ratio based on Net income

GDP



Wage inflation



FX



Raw materials



Automotive

Industrial

**CO₂ Reduction/
Zero Emission**

Autonomous Driving

Industry 4.0

Robotics

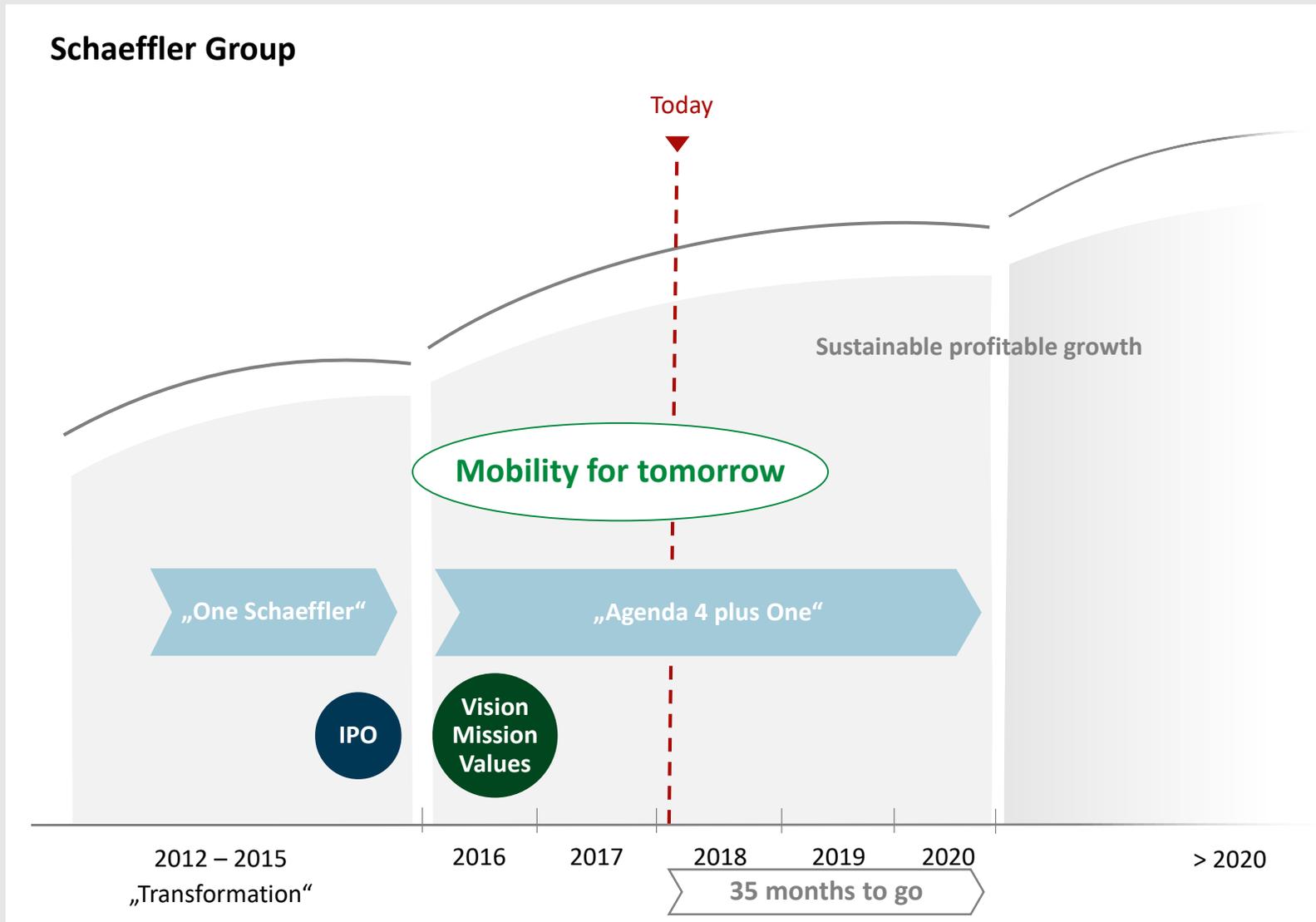
Connected Cars

Shared Mobility

Digitalization

Artificial Intelligence

Our way forward – Accelerating our transformation



Key aspects

- 1 "Mobility for tomorrow" strategy concept established ✓
- 2 3 divisions from January 1st onwards (Automotive Aftermarket becoming a separate division) ✓
- 3 Excellence program "Agenda 4 plus One" up and running ✓
- 4 "One Schaeffler" approach to be further strengthened



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

1 We want to be the preferred technology partner for our customers.

4 Focus areas

Eco-friendly drives

Mobility tomorrow

Urban mobility

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

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 want to be a preferred technology partner for our customers.

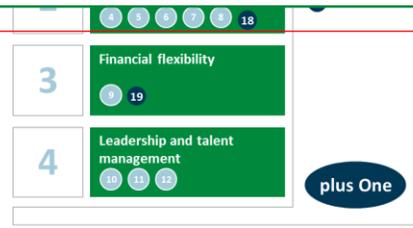
4 We want to be a preferred technology partner for our customers.

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.

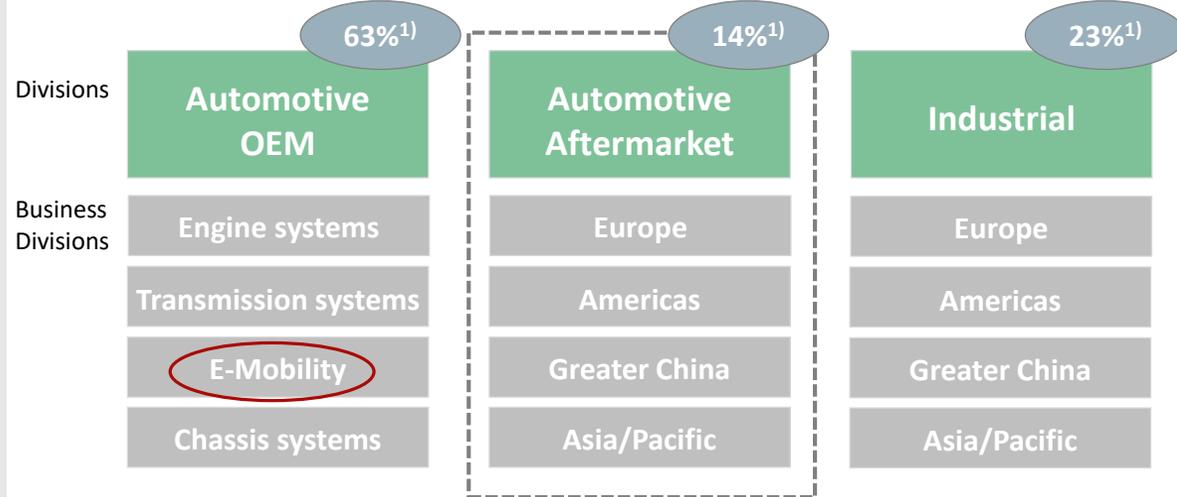
8 We live by the values of a global family business.



Initiatives	Sponsor
1 Customer Excellence	Prof. Pleus / Dr. Spindler
2 E-Mobility	Prof. Gutzmer
3 Industry 4.0	Dr. Spindler
17 Global Supply Chain	Divisional CEOs
4 Quality for Tomorrow	Rosenfeld
5 Global Footprint	Rosenfeld
6 Factory for Tomorrow	Jung
7 Shared Services	Heinrich
8 Process Excellence	Rosenfeld
18 AKO	Soeding
9 Working Capital	Heinrich
19 Global Reporting	Heinrich
10 Leadership & Corporate Values	Schittenhelm
11 Qualification for Tomorrow	Schittenhelm
12 New Work	Schittenhelm
13 Program CORE	Dr. Spindler
14 Digital Agenda	Prof. Gutzmer
15 IT 2020	Prof. Gutzmer
16 Global Branding	Rosenfeld
20 Focus	Rosenfeld

2 Organizational development – Aligning our divisional structure

New business structure as of Jan 1st 2018



Key aspects

- ▶ As of January 1st 2018 segment reporting with 3 divisions²⁾
- ▶ New division Automotive Aftermarket headed by Michael Söding
- ▶ Separate business division E-Mobility within division Automotive OEM

More customer focus
More decentralization
More transparency

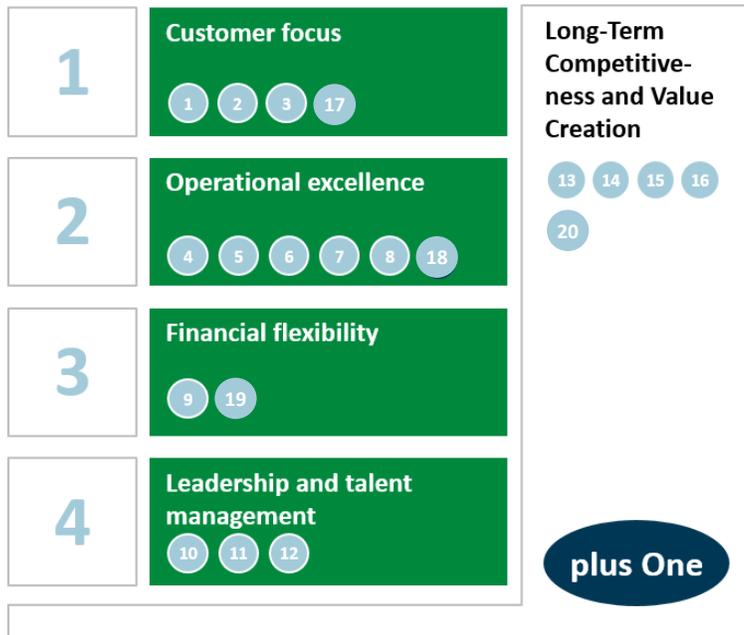
Four main locations



1) Sales split based on proforma 2016 figures
 2) Each division with 4 business divisions each (Sales only)

3 Deploying our strategy – Agenda 4 plus One with 20 strategic initiatives

Agenda 4 plus One



Initiatives

- 1 Customer Excellence
 - 2 E-Mobility
 - 3 Industry 4.0
 - 17 Global Supply Chain²⁾
-
- 4 Quality for Tomorrow
 - 5 Global Footprint
 - 6 Factory for Tomorrow
 - 7 Shared Services
 - 8 Process Excellence
 - 18 AKO²⁾
-
- 9 Working Capital
 - 19 Global Reporting²⁾
-
- 10 Leadership & Corporate Values
 - 11 Qualification for Tomorrow
 - 12 New Work
-
- 13 Program CORE
 - 14 Digital Agenda
 - 15 IT 2020
 - 16 Global Branding
 - 20 Focus²⁾

- ▶ Holistic program with 5 elements and 20 initiatives
- ▶ Each initiative has a board sponsor and is supported by a business case
- ▶ Completion ratio as of Dec 31, 2017 : 35%¹⁾

1) Based on 16 initiatives 2) New initiatives

Category:
Customer focus

Dr. Jochen Schröder - New Head of E-Mobility Division



- ▶ 15 years experience with BMW (including i3 / i8 development)
- ▶ Former Chief Technology Officer (CTO) at Valeo Siemens
- ▶ Starting April 1st, 2018 reporting to Matthias Zink, CEO Automotive OEM Division

Three regional E-mobility centers of competence



Key aspects

- ▶ Separate business division for E-Mobility established as of Jan 1, 2018, covering hybrid modules and e-axles as well as existing business
- ▶ Global approach with three regional E-mobility centers of competence in Bühl (Germany), Wooster (USA), and Anting (China)
- ▶ New leadership with Dr. Jochen Schröder established from Apr 01, 2018

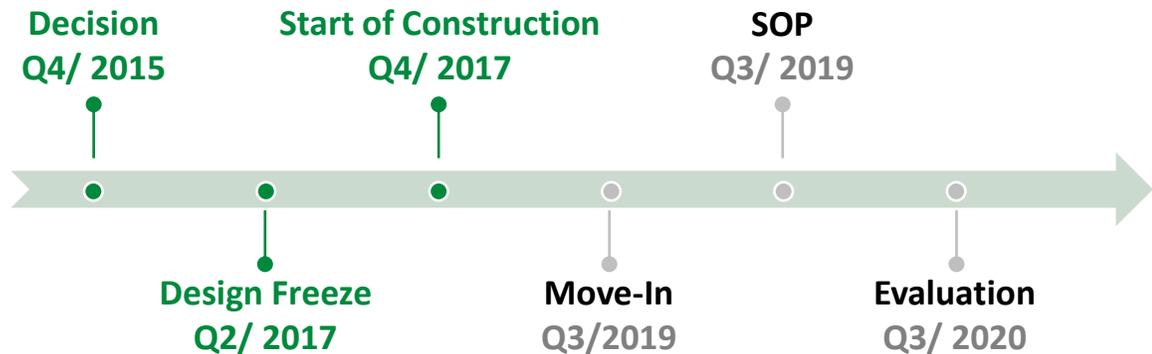
Impact analysis

- ▶ Financial impact: Separate business case with 10 years time horizon
- ▶ Completion ratio: **50%** (on schedule)



Category:
Operational excellence

Factory for Tomorrow



Key aspects

- ▶ Establishment of a best-in-class factory to improve operational efficiency in direct and indirect areas
- ▶ Modular layout leading to increased flexibility and higher profitability along the entire factory life cycle
- ▶ New factory opening with planned SOP in Q3/ 2019, investment of more than EUR 100m

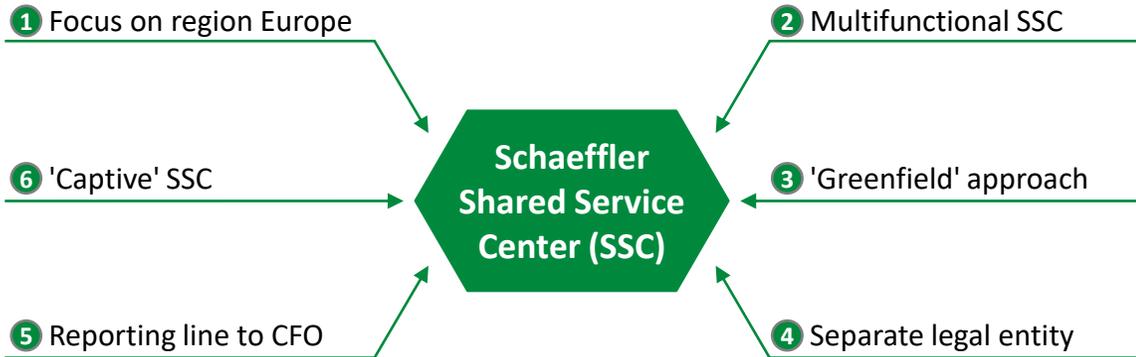
Impact analysis

- ▶ Financial impact: Cost savings, efficiency improvement
- ▶ Completion ratio: **35%** (on schedule)



Category: Operational excellence

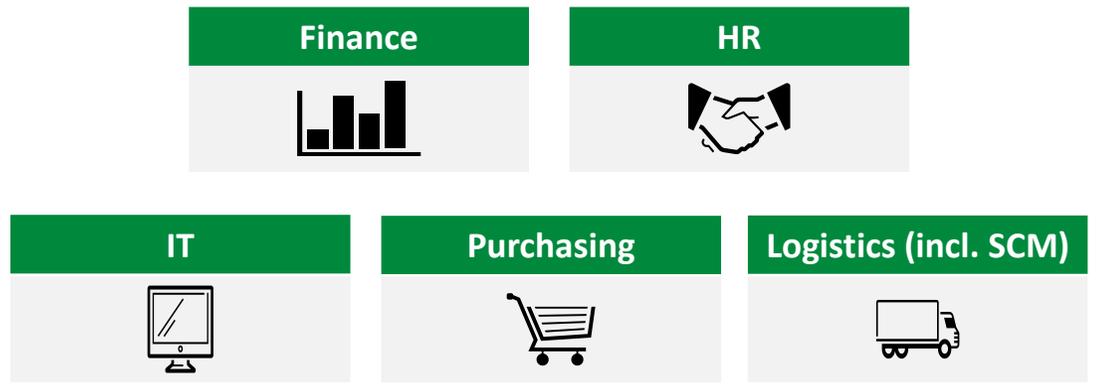
6 key parameters



Key aspects

- ▶ Establishment of a state-of-the-art Shared Service Center for most functions in Europe to increase operative excellence
- ▶ Primary optimization levers are (1) centralization and usage of locational advantages, (2) harmonization, and digitalization of indirect processes
- ▶ Shared Service Center for Europe as a base to establish globally aligned full service set up

Scope for European Shared Service Center



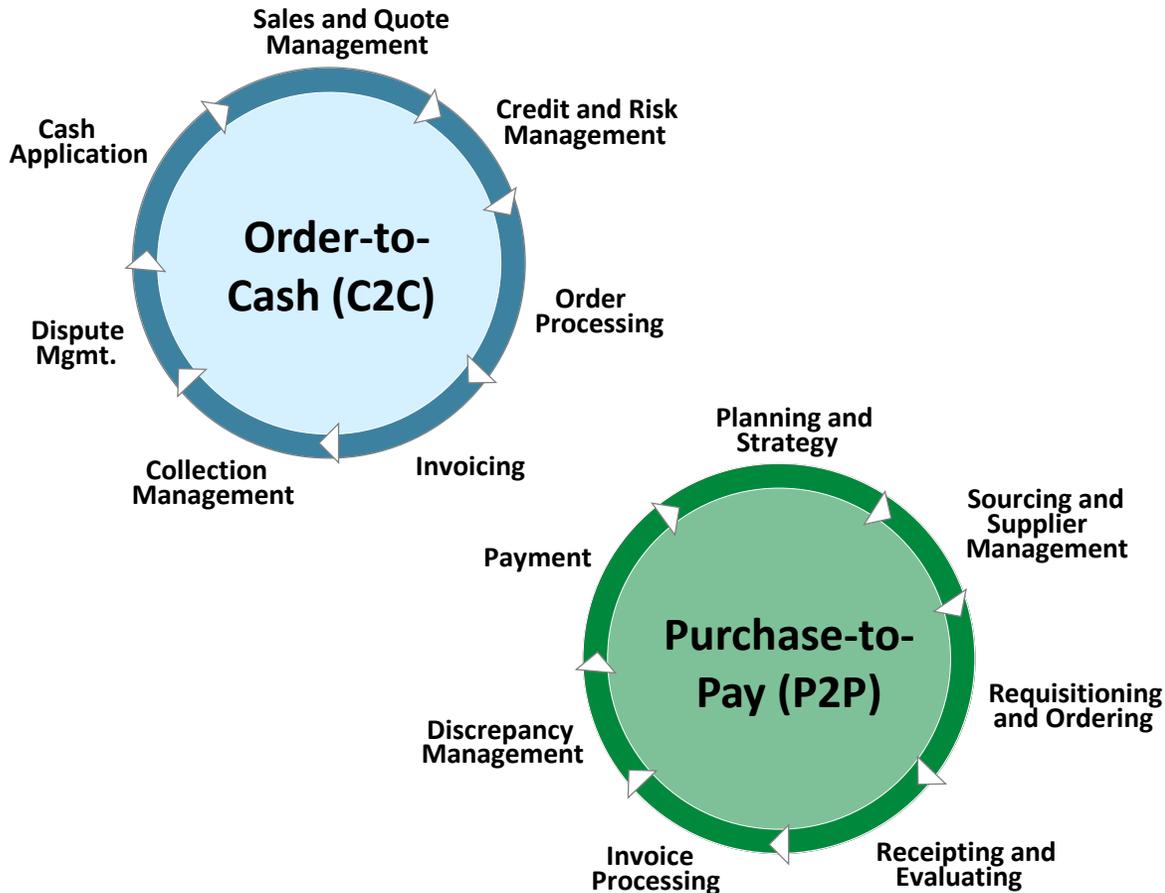
Impact analysis

- ▶ Financial impact: Cost savings, efficiency improvement
- ▶ Completion ratio: **30%** (on schedule)



Category:
Financial flexibility

Working Capital

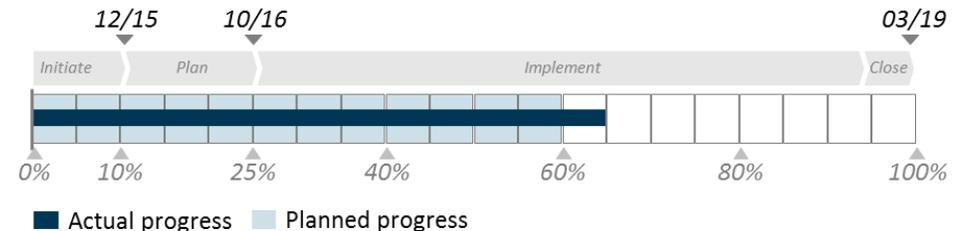


Key aspects

- ▶ Optimization of cash flow generation and reduction of capital employed
- ▶ Purchase-to-Pay Process / Payables: New standardized payment term model established in 2017 with significant positive effects on DPO
- ▶ Order-to-Cash Process / Receivables: Initial forfaiting transaction successfully executed in Q3 2017 and receivables financing program (Asset-Backed-Commercial-Paper) established in Q4 2017

Impact analysis

- ▶ Financial impact: Working capital improvement (payables, receivables), optimization of capital employed
- ▶ Completion ratio: **65%** (ahead of schedule)



Category:
Leadership & Talent
Management

Leadership & Corporate Values



<p>Sustainable A long-term view and continuity will foster the growth of the Schaeffler Group, thereby enabling a future worth living.</p>	<p>Innovative For (nearly) every problem there is a solution. If not, we will create one!</p>	<p>Excellent We develop solutions that are of the highest quality based on our extensive expertise.</p>	<p>Passionate Our biggest driver is our passion for innovative technologies and joint success with our customers.</p>
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Corporate Values
 Leadership Principles
 Leadership Essentials

Key aspects

- ▶ Holistic leadership framework (values, principles, essentials) developed to improve leadership performance
- ▶ Global rollout approach for leadership principles in 2018, e.g. via leadership talks with the Executive Board
- ▶ Sustainability as one core value securing long term value creation and corporate responsibility

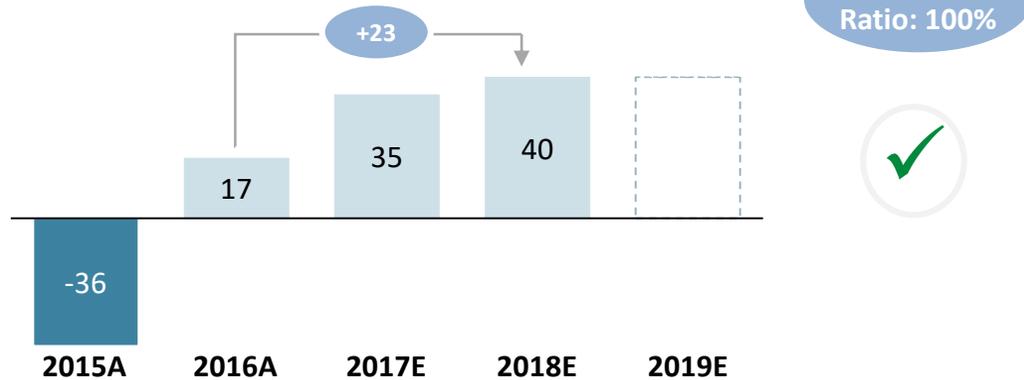
Impact analysis

- ▶ Financial impact: Qualitative (improved leadership performance)
- ▶ Completion ratio: **50%** (ahead of schedule)



Expected EBIT Impact – CORE Wave I

in mn EUR



Completion Ratio: 100%



EBIT improvement One-off effects

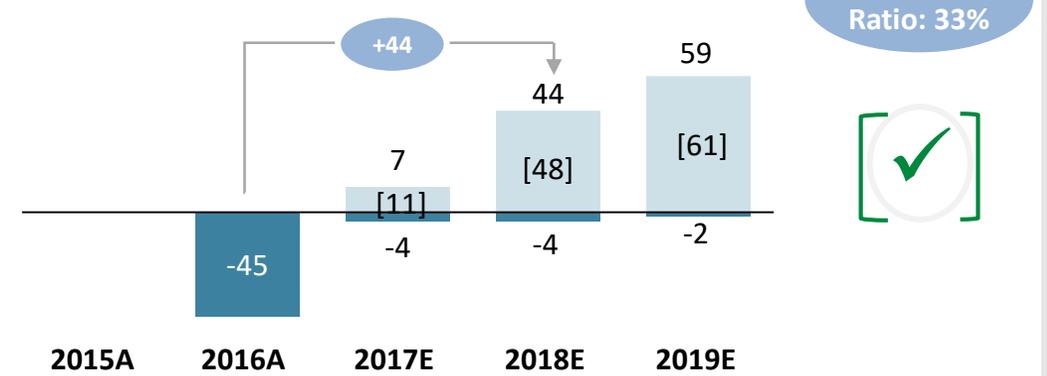
Key aspects

- ▶ CORE Wave I (main focus: overhead cost) successfully concluded (Reduction of 500 HCO mainly in Germany until 12/2017 executed)
- ▶ Headcount target will be achieved in 2017 faster than planned with full year EBIT impact in 2018
- ▶ EBIT improvement of EUR 23 mn until 2018

¹⁾ Before revision of CORE Wave II: 500 headcounts

Expected EBIT Impact – CORE Wave II revised

in mn EUR



Completion Ratio: 33%



EBIT improvement One-off effects

Key aspects

- ▶ CORE Wave II (main focus: Gross Profit improvement) revised, but overall target unchanged
- ▶ Reduction of 400 HCO ¹⁾ in Germany, Europe & other regions planned
- ▶ EBIT improvement of around 44 mn EUR until 2018 to be achieved by structural improvements and further overhead cost reduction

Our approach



Identification
Commitment
Performance
Passion

Our strategy

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
 - Power-assist vehicles
 - Micro-mobility
- Energy chain**
 - Wind power
 - Solar power
 - Conventional power generation

8 Strategic pillars

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

Initiatives

Initiatives	Sponsor
Customer Excellence	Prof. Dr. Dr. Spindler
E-Mobility	Prof. Gutierrez
Industry 4.0	Dr. Spindler
Global Supply Chain	Divisional CEOs
Quality for Tomorrow	Rosenfeld
Solar Footprint	Rosenfeld
Factory for Tomorrow	Ang
Shared Services	Henrich
Process Excellence	Rosenfeld
AI/ML	Seeding
Working Capital	Henrich
Global Reporting	Henrich
Leadership & Corporate Values	Schittenhelm
Qualification for Tomorrow	Schittenhelm
New Work	Schittenhelm
Program-COE	Dr. Spindler
Digital Agenda	Prof. Gutierrez
IF 2020	Rosenfeld
Global Branding	Rosenfeld
Focus	Rosenfeld

1 FY 2017 sales growth over-achieved, guidance 2017 confirmed for other KPIs

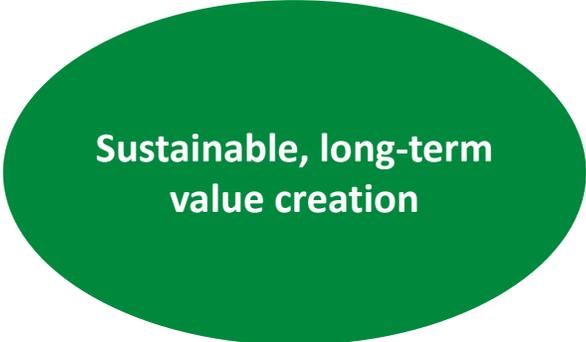
2 Outperformance target in Automotive achieved, Industrial back to growth

3 2020 Financial Ambitions confirmed

4 Excellence program Agenda 4+1 on track – Transformation will be accelerated

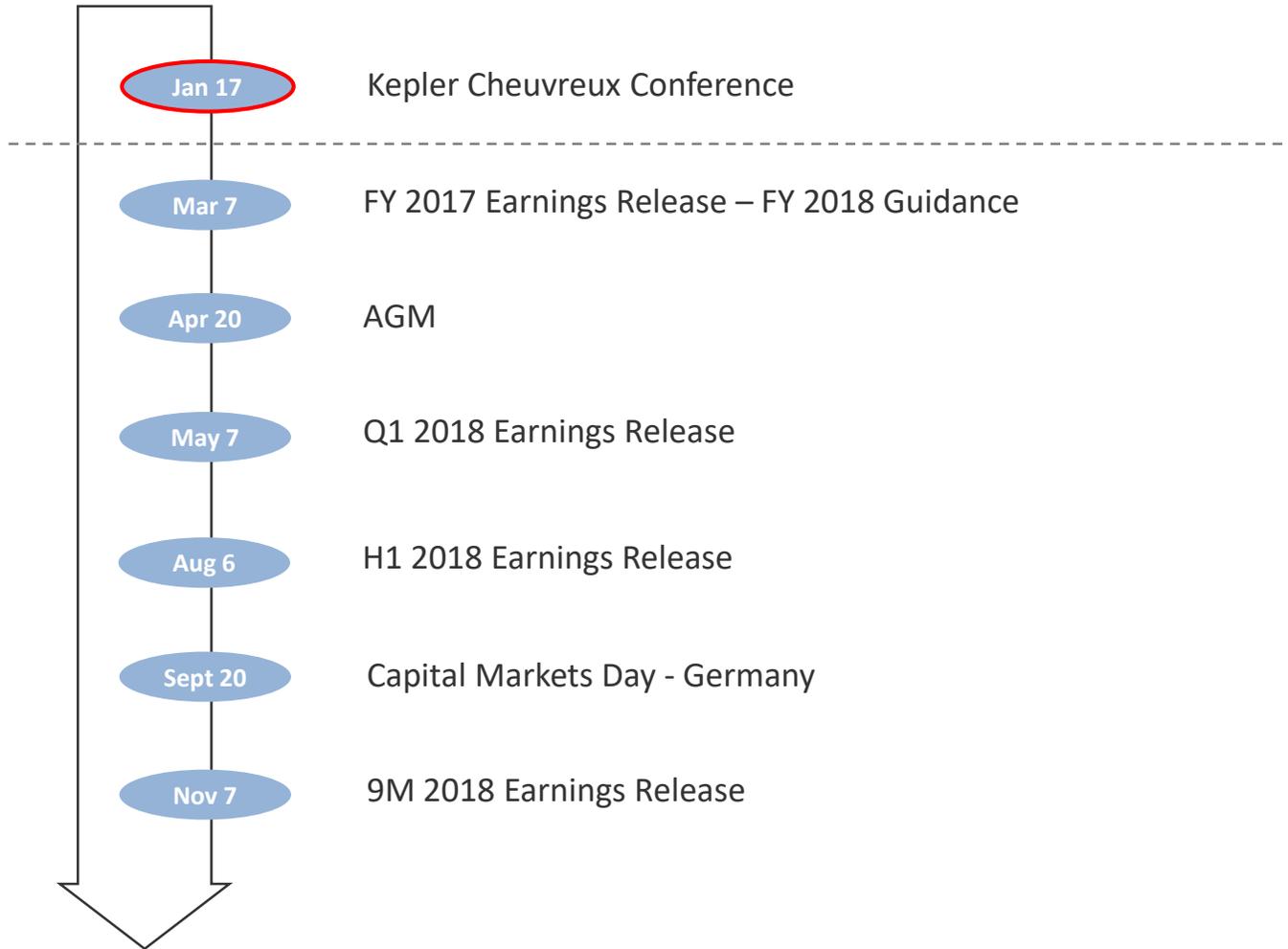
5 Good start into the year 2018

6 Key focus for 2018: Execution and delivery



Sustainable, long-term
value creation

Upcoming events 2018





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