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Schaeffler AG
Pre-Release Key Financials Q3 2018 – FY 2018 Guidance Adjustment

Conference Call
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Herzogenaurach

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Agenda

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1. Overview
2. Preliminary Financial Results Q3 2018
3. New Guidance FY 2018
4. Key messages

Current environment – China auto market further deteriorating

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Chronology

- **Aug 7** — **H1 2018 Earnings**
- **Sep 19** — Guidance Update
- **Sep 20** — Capital Markets Day Berlin
- **Oct 30** — Pre-Release Q3 & Guidance Cut
- **Nov 7** — **9M 2018 Earnings**
- **Mar 6, 19** — **FY 2018 Earnings**

Key aspects

- Schaeffler AG FY 2018 Group Guidance confirmed on September 19, with Automotive OEM FY 2018 Guidance lowered
- Capital Markets Day pointing to potential risks in global auto market (WLTP, tariffs, China weakness)
- Since then, significant deterioration of market conditions in China auto market (China PV retail sales, stocks at car dealers)
- Board decision today to cut FY 2018 Group Guidance and Divisional guidance for Automotive OEM and Automotive Aftermarket

Preliminary Q3 2018 figures – Mixed performance in Q3

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Group	Q3 18	9M 18
Sales growth[1)] (in EUR mn and %)	3,521 +3.7%	10,714 +5.1%
EBIT margin[2)] (in EUR mn and %)	355 10.1%	1,150 10.7%
Free Cash Flow[3)] (in EUR mn)	201	127
Capex-to-sales ratio	7.4%	8.0%

	Automotive OEM Q3	Automotive OEM 9M	Automotive AM Q3	Automotive AM 9M	Industrial Q3	Industrial 9M
Sales growth	2,191 +3.2%	6,778 +4.3%	476 -3.0%	1,401 +1.3%	854 +9.4%	2,535 +9.8%
EBIT margin	172 7.9%	596 8.8%	80 16.8%	256 18.3%	103 12.1%	298 11.8%

Key aspects Q3 2018

- Automotive OEM with decreasing margin due to weakness in China and negative mix
- Automotive Aftermarket sales decline due to high comps and weaker than expected demand in Europe
- Industrial very strong quarter, both in terms of sales and EBIT margin
- Lower than expected FCF due to lower earnings quality and higher inventories

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

New Guidance FY 2018 – Automotive OEM triggers downward revision

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Group Guidance

	Old[4]	New[5]
Sales growth[1] (in %)	+5-6%	+4-5%
EBIT margin[2] (in %)	10.5-11.5%	9.5-10.5%
Free Cash Flow[3] (in EUR mn)	EUR ~450 mn	EUR ~300 mn

Divisional Guidance

Automotive OEM	Automotive AM	Industrial
+3.5-4.5% (before 4.5-5.5%)	+1.5-2.5% (before 3-4%)	+8-9%
8-8.5% (before 8.5-9.5%)	17-17.5% (before 16.5-17.5%)	10.5-11.0% (before 10-11%)

Market assumptions[5]

- Automotive: Global Light Vehicle production growth **revised down from around 2% to around 0.5%**
- Automotive Aftermarket: Stable growth in the global vehicle population and a nearly unchanged average vehicle age
- Industrial: Similar growth rate of industrial production in 2018 compared to 2017

1) FX adjusted
2) Before special items
3) Before cash in- and outflows for M&A activities
4) As of September 19, 2018
5) As of October 30, 2018

New Guidance FY 2018 – Adapting execution to a more complex market environment

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1. Sharp expected market decline of China Light Vehicle Production/Sales is the key catalyst for reducing FY 2018 Group and Automotive OEM Guidance for sales and EBIT margin
2. Softness in Automotive Aftermarket Q3 sales due to lower demand from European customers cannot be compensated in Q4, FY 2018 margin guidance at 17-17.5%
3. Industrial Division on track, favorable development of Industrial sales continues, FY 2018 margin guidance at 10.5-11%
4. Further short-term cost discipline measures initiated, while preserving our flexibility
5. Increased focus on cash generation (stronger inventory reduction, stricter capex allocation), dividend policy unchanged (30-40% payout ratio)

Adapting execution to a more complex market environment