



Schaeffler AG
10th Annual Automotive Conference
Goldman Sachs

November 30, 2018

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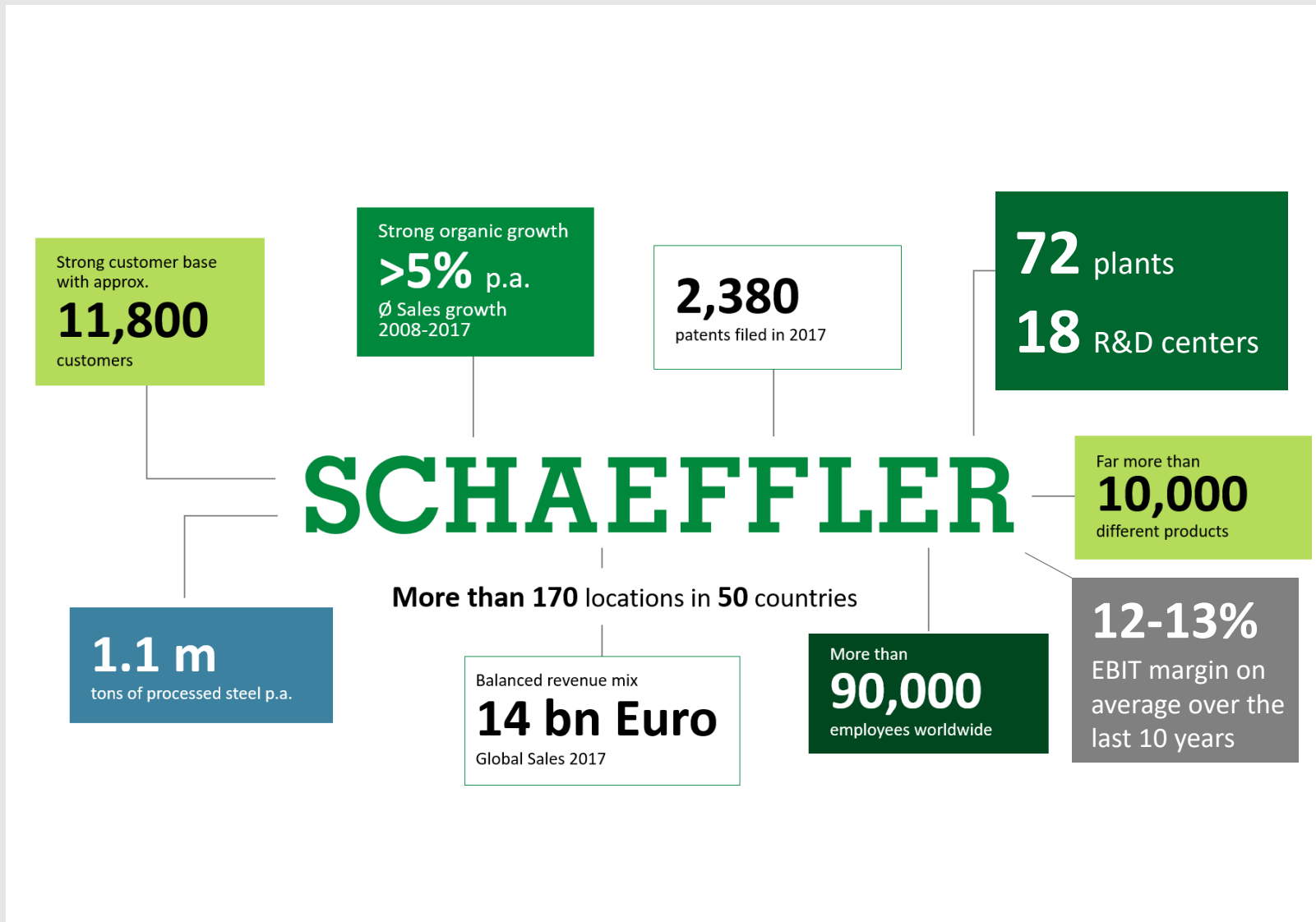
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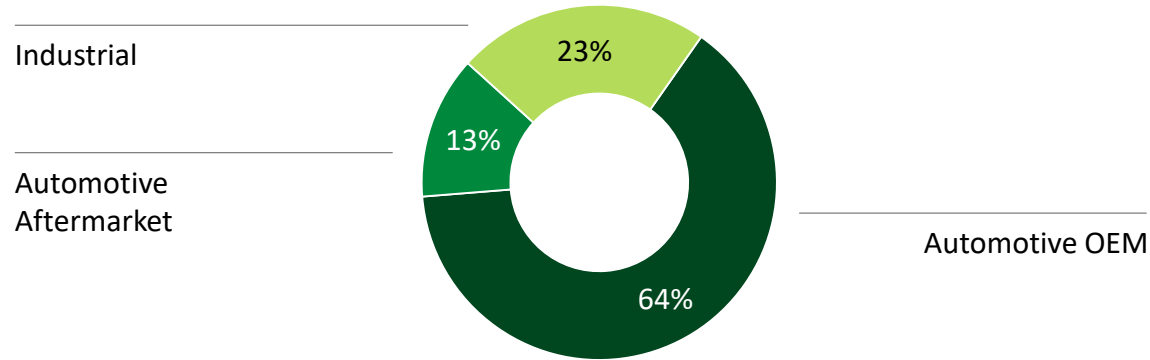
- 1** Schaeffler at a Glance
- 2** “Mobility for Tomorrow” Strategy – Agenda 4 plus One Initiatives
- 3** Divisional Highlights
- 4** Long-term value creation

Schaeffler at a Glance – A global automotive and industrial supplier

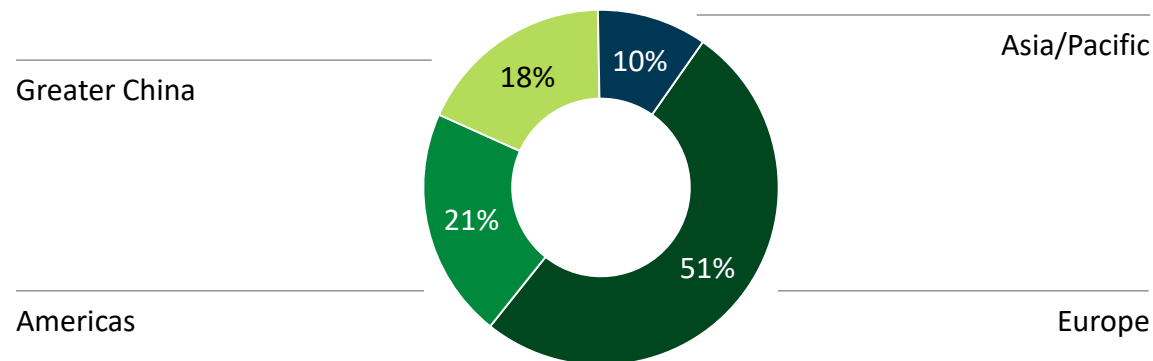


- ▶ Global Automotive and Industrial supplier of high-precision components and mechatronic systems
- ▶ Quality, technology and innovation as key success factors
- ▶ Well defined strategy 'Mobility for Tomorrow'
- ▶ Above average growth and profitability with global sales of EUR 14 bn in 2017
- ▶ Well balanced customer base
- ▶ Global footprint with 72 plants and 18 R&D centers

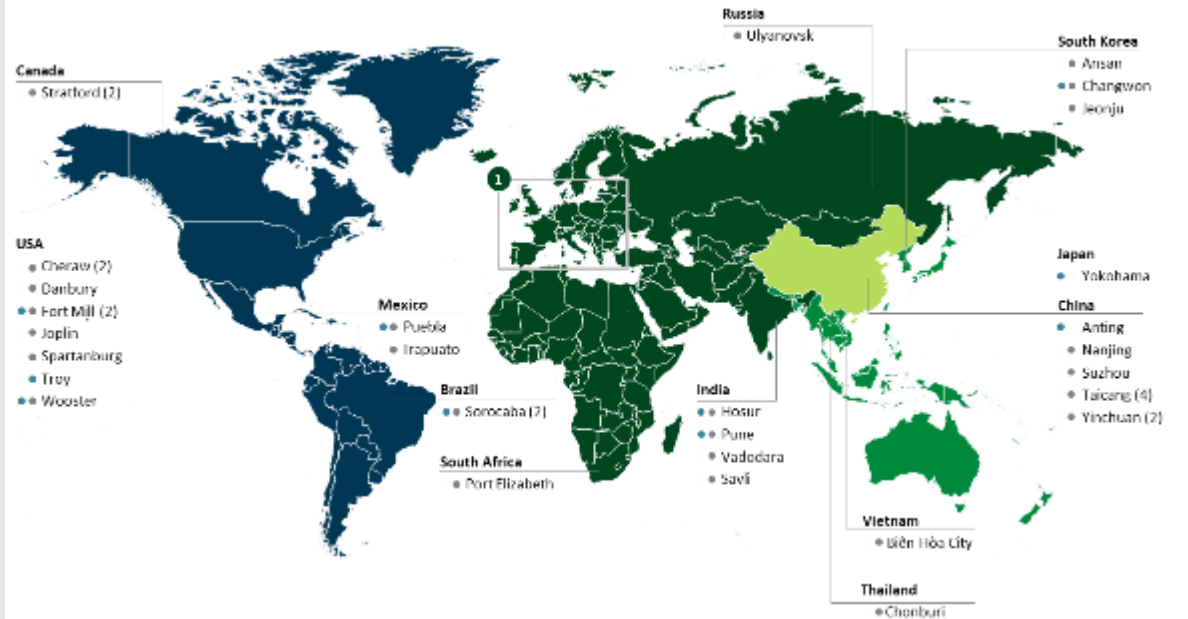
Sales by division FY 2017



Sales by region FY 2017



Customer proximity – Global plants and R&D centers



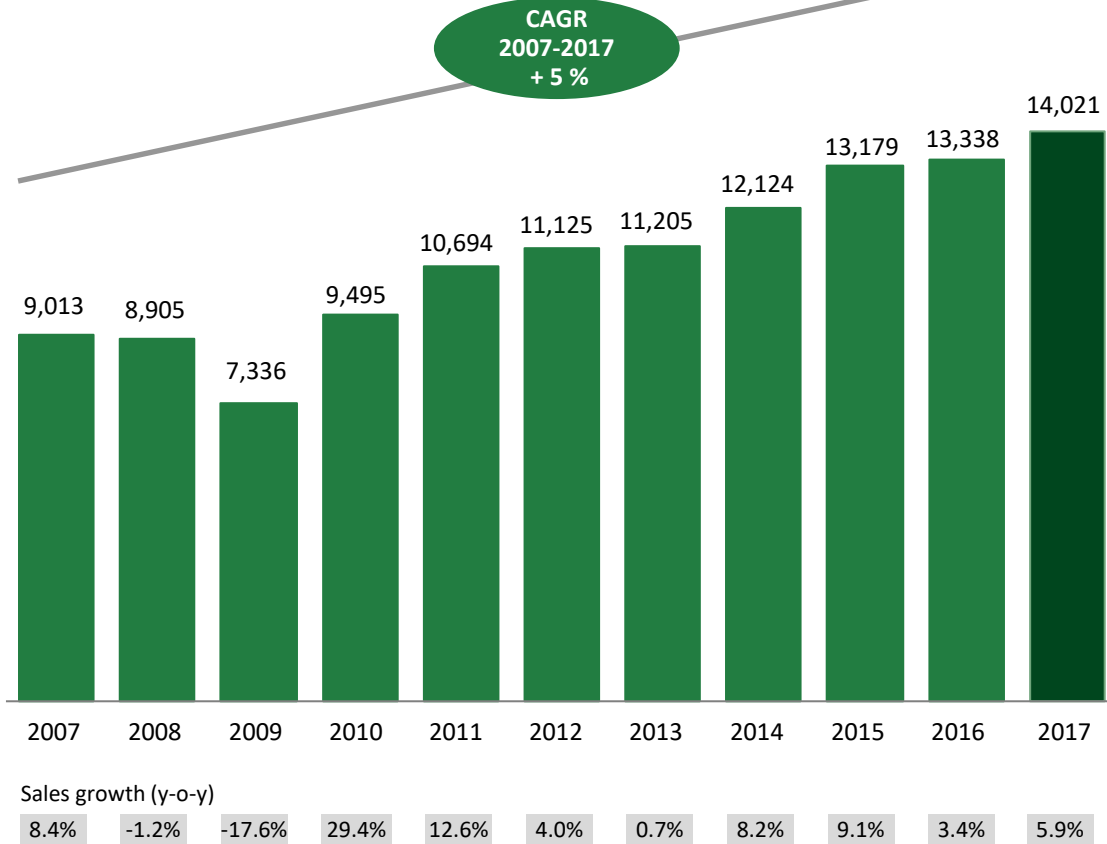
Regions ¹⁾	Europe	Americas	Greater China	Asia/Pacific
● R&D centers	10	5	1	2
● Plants	45	14	8	5

¹⁾ The regions represent the regional structure of the Schaeffler Group.

10-year look-back – Sales and EBIT

Development of Sales 2007 - 2017¹⁾

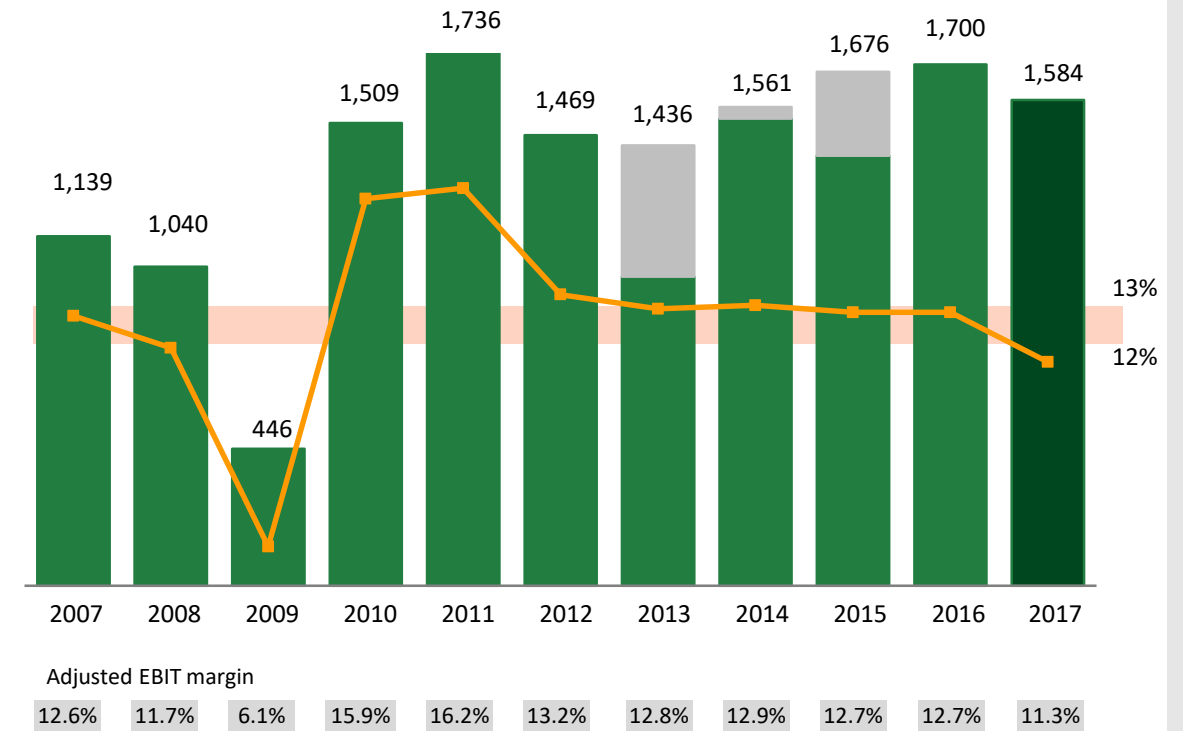
in EUR mn



1) 2007-2010 relates to financials of a different entity (Schaeffler VZ GmbH)

Development of EBIT²⁾ 2007 - 2017¹⁾

in EUR mn



2) Before special items

— EBIT margin²⁾

Executive Team



Klaus Rosenfeld (52)
Chief Executive Officer

Joined Schaeffler in 2009

CEO Functions



**Prof. Dr. Peter Pleus (64) /
Matthias Zink (49)**

CEO's Automotive OEM

Joined Schaeffler in 2001/1994

Automotive OEM



Michael Söding (56)
CEO Automotive Aftermarket

Joined Schaeffler in 2002

Automotive Aftermarket



Dr. Stefan Spindler (57)
CEO Industrial

Joined Schaeffler in 2015

Industrial



Dietmar Heinrich (55)
Chief Financial Officer

Joined Schaeffler in 1995

Finance



Andreas Schick (48)
Chief Operating Officer

Joined Schaeffler in 1994

Operations



Prof. Dr.-Ing. Peter Gutzmer (65)
Chief Technology Officer /
Deputy CEO

Joined Schaeffler in 2001

Technology



Corinna Schittenhelm (51)
Chief Human Resources Officer

Joined Schaeffler in 2016

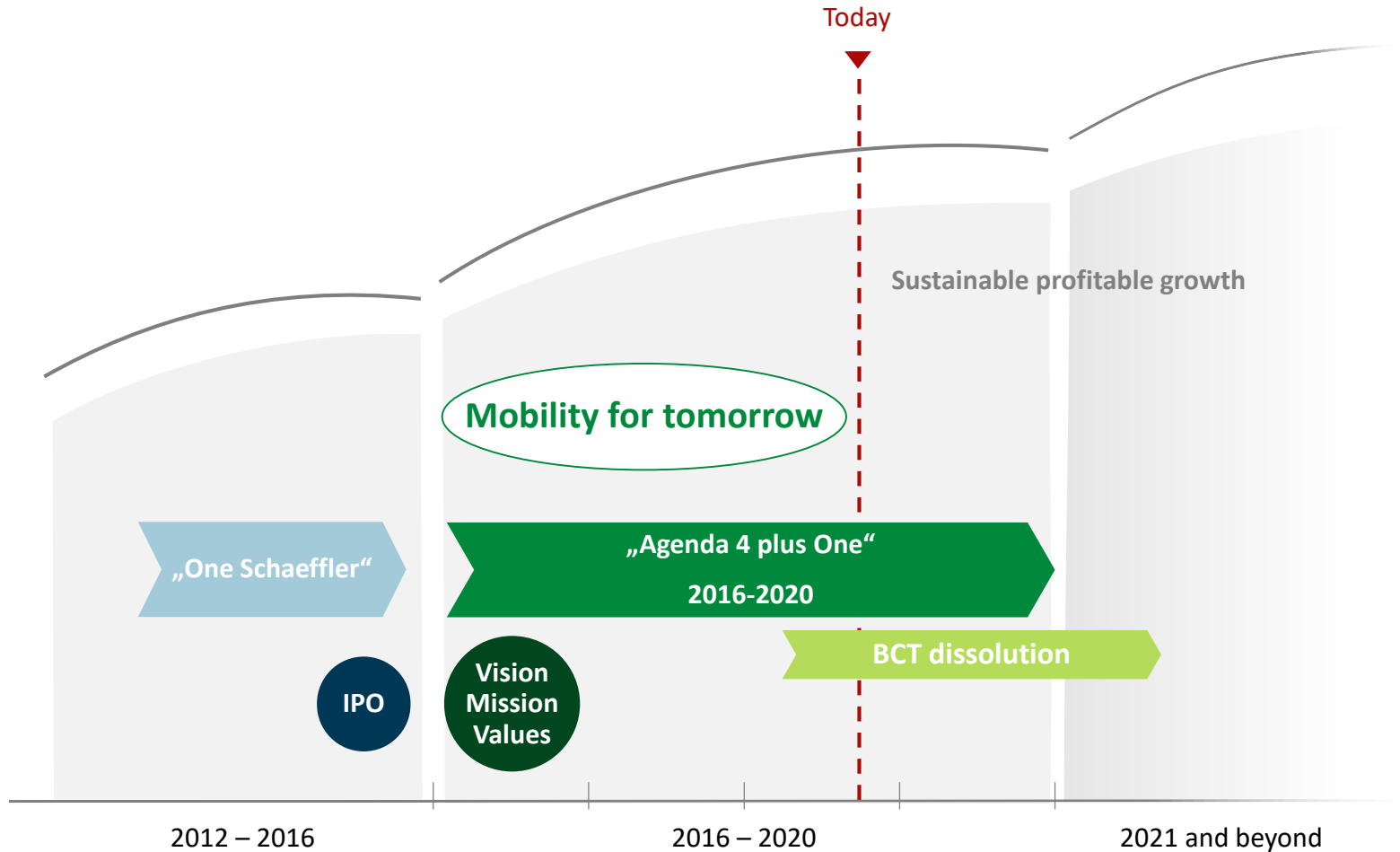
Human Resources

+ 4 Regional CEOs

- 1 Schaeffler at a Glance
- 2 “Mobility for Tomorrow” Strategy – Agenda 4 plus One Initiatives
- 3 Divisional Highlights
- 4 Long-term value creation

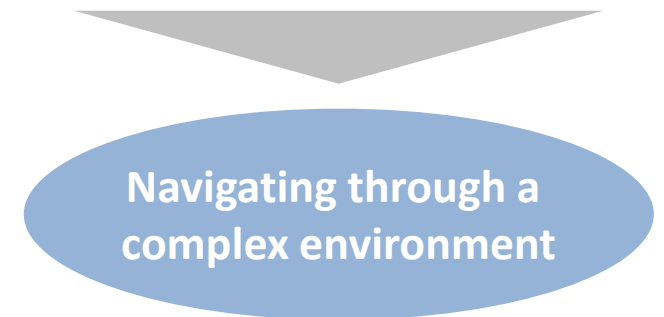
Schaeffler Roadmap 2016-2020 – Navigating through a complex environment

Roadmap Schaeffler Group



Key aspects

- ▶ Strategy „Mobility for tomorrow“ to position Schaeffler for key future trends
- ▶ Excellence program "Agenda 4 plus One" to make Schaeffler a better company
- ▶ 3 divisions to enhance transparency and accountability
- ▶ Rigorous execution of efficiency initiatives to achieve financial ambitions



1) Bearing & Components Technologies

Strategy "Mobility for tomorrow" – Preferred technology partner for our customers

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

Interurban mobility

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



Energy chain

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

Mobility for tomorrow

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.

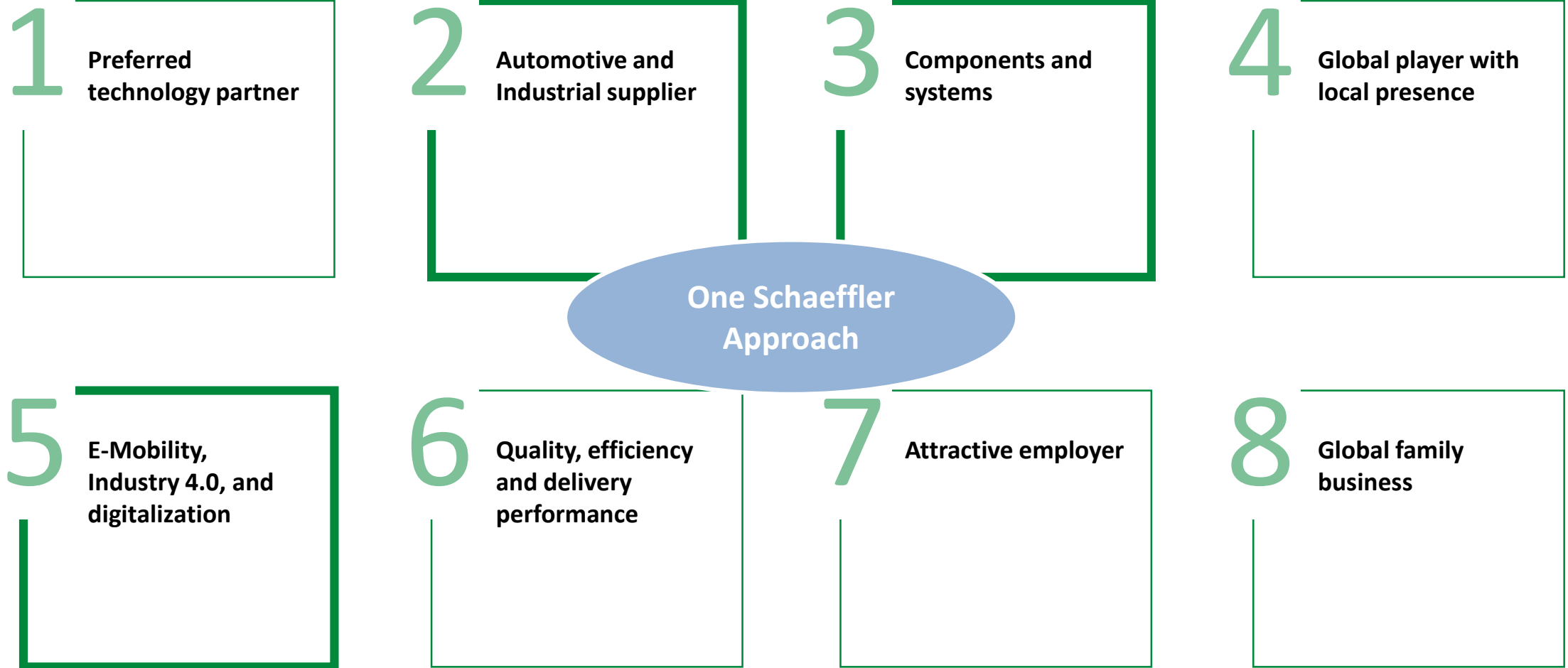
Agenda 4 plus One

- 1** Customer Focus
 - 2** Operational Excellence
 - 3** Financial Flexibility
 - 4** Leadership and Talent Management
- Long-term Competitiveness and Value Creation
- plus One

20 strategic initiatives

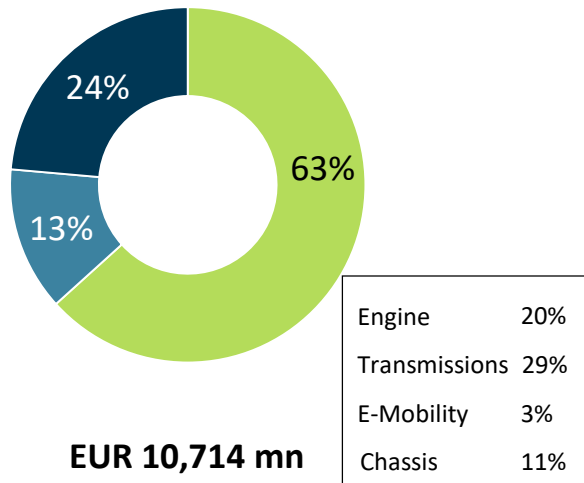
- | | |
|--|---|
| Customer Focus <ul style="list-style-type: none"> 1 Customer Excellence 2 E-Mobility 3 Industry 4.0 17 Global Supply Chain | Operational Excellence <ul style="list-style-type: none"> 4 Quality for Tomorrow 5 Global Footprint 6 Factory for Tomorrow 7 Shared Services 8 Process Excellence 18 Aftermarket Kitting Operation (AKO) |
| Leadership and Talent Management <ul style="list-style-type: none"> 10 Leadership & Corporate Values 11 Qualification for Tomorrow 12 New Work | Financial Flexibility <ul style="list-style-type: none"> 9 Working Capital 19 Global Reporting |
| Long-term Competitiveness and Value Creation <ul style="list-style-type: none"> 13 Program CORE 15 Digital Agenda 14 IT 2020 16 Global Branding 20 Focus | |

Strategy "Mobility for tomorrow" – 8 strategic pillars



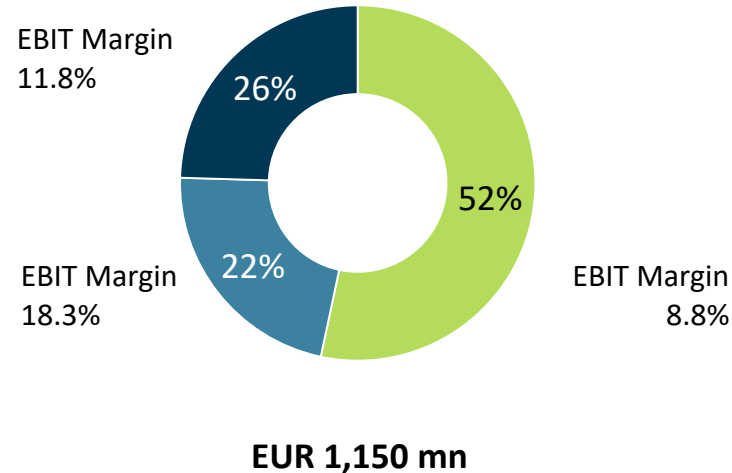
Automotive and Industrial Supplier – Balanced business portfolio

Sales 9M 2018



- ▶ Automotive OEM accounts for 63% of Group sales
- ▶ Powertrain business (52%) includes growing E-Mobility business; Chassis business division (11%) agnostic to evolving powertrain mix

EBIT¹⁾ 9M 2018

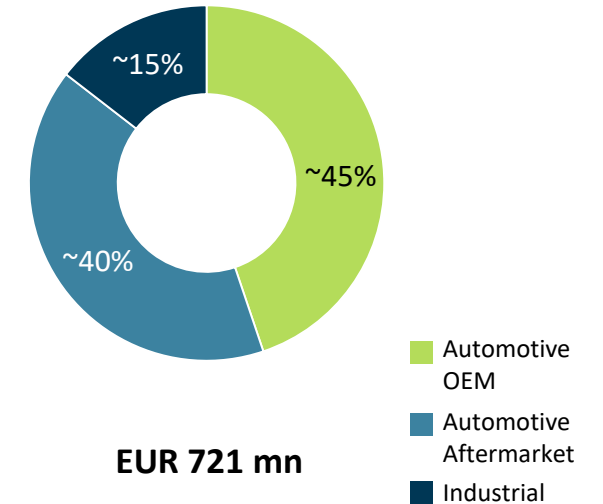


- ▶ Industrial and Automotive Aftermarket contribute nearly 50% of Group EBIT¹⁾
- ▶ Resilient high margin Aftermarket business and improving profitability in Industrial

1) Before special items

SVA²⁾ LTM Sept 2018

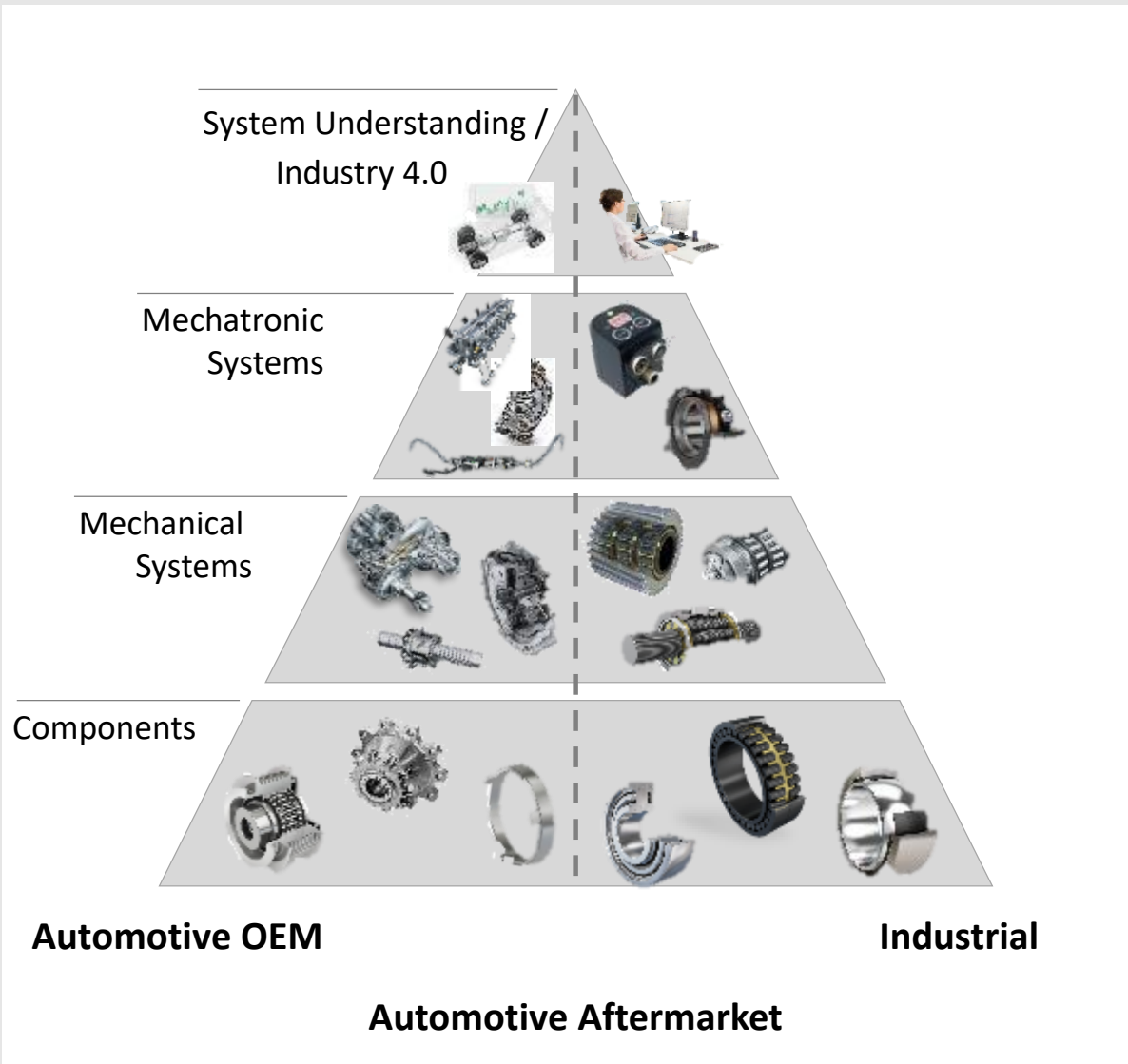
Pro Forma –
For illustration purposes



- ▶ Schaeffler manages its business primarily by Schaeffler Value Added (SVA)³⁾
- ▶ Automotive Aftermarket contributes around 40% of Group SVA³⁾ reflecting its significance

2) Defined as LTM EBIT before special items minus Cost of Capital (10% * Ø Capital Employed); Goodwill allocated to Automotive OEM (Indicative calculation)

Components and Systems – Enriching our core competencies



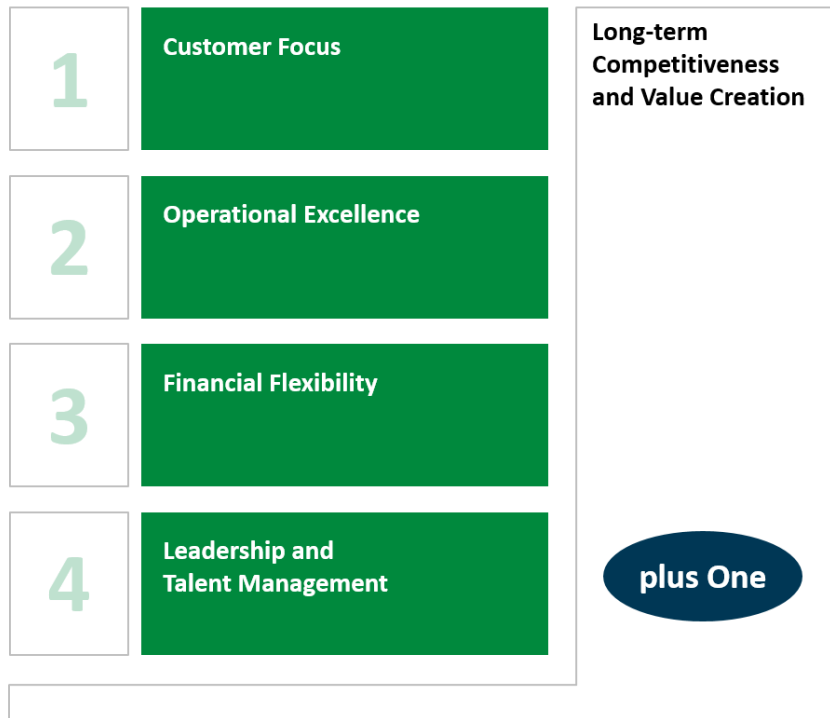
Key aspects

- ▶ Long-standing experience in development and manufacturing of best-in-class mechanical components
- ▶ Proven system-level understanding enabling integration of components into powerful mechatronic systems
- ▶ Ability to combine systems know-how across all three divisions into new innovative product and service offerings

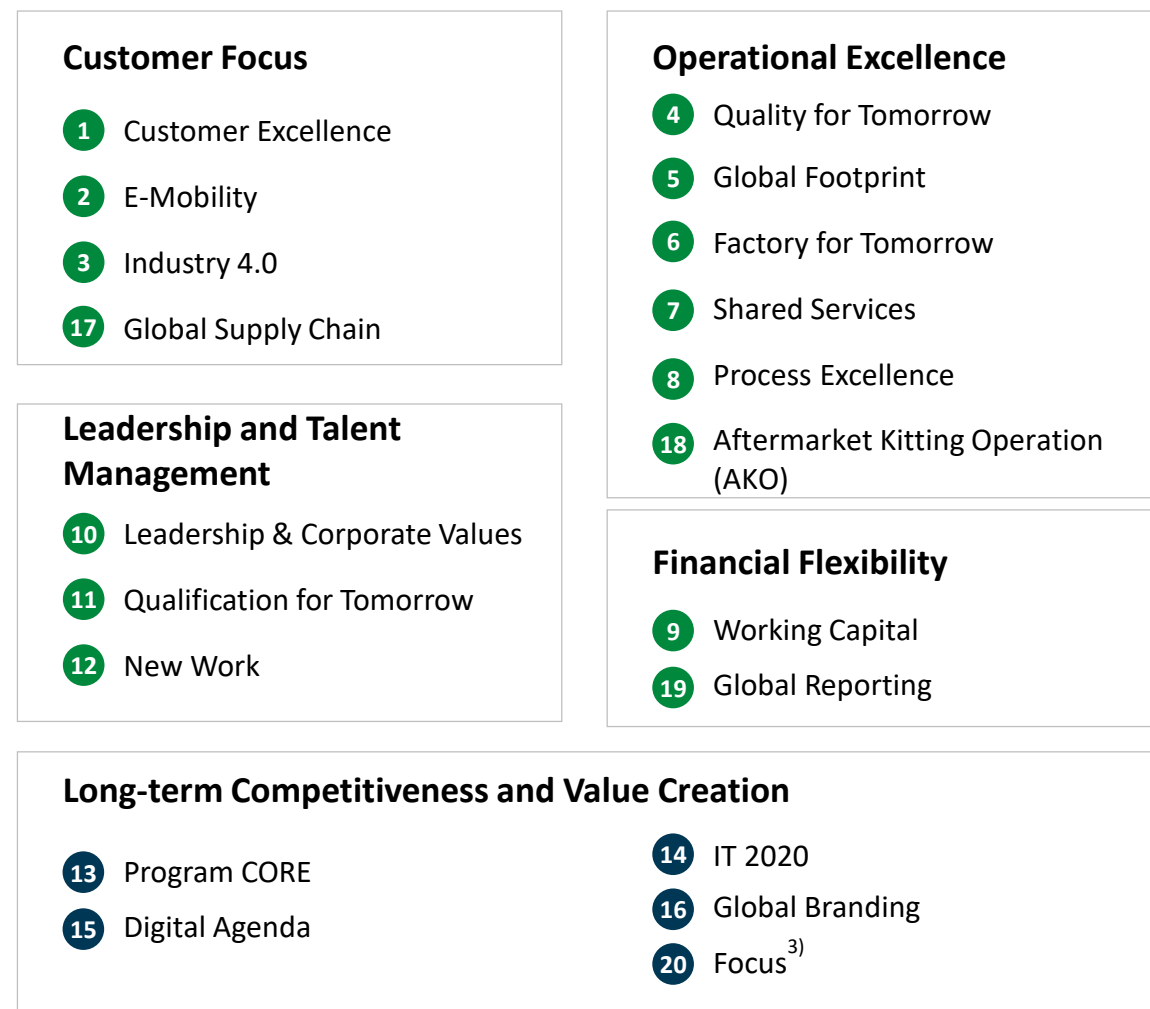
Systems understanding as a key success driver

Excellence program "Agenda 4 Plus One" – Completion ratio increased to 50%²⁾

Agenda 4 plus One



20 strategic initiatives



- ▶ Comprehensive program increased to 20 initiatives
- ▶ EUR 300 mn profitability improvement potential until 2022¹⁾ and over EUR 1 bn of additional investment
- ▶ Each initiative driven by Board sponsor and supported by a business case

1) Compared to FY 2017 2) For all 20 initiatives, as of Sep 30, 2018 3) Real Estate optimization

Rigorous execution of efficiency initiatives – Continuously improving our performance

Overview initiatives

	Start Date	Cost Efficiency Target	HCO ¹⁾ Reduction Target	Restructuring Cost	Full Financial Impact	Focus	Completion Ratio	
1	CORE I	10/2015	~ EUR 40 mn	-500	EUR 36 mn booked in 2015	12/2018	Industrial	100%
2	CORE II	10/2016	~ EUR 80 mn	-400	EUR 45 mn booked in 2016	12/2019	Industrial	>50%
3	Shared Services	10/2017	~ EUR 25 mn	-100	EUR 39 mn booked in 2017	12/2022	Group	35%
4	BCT ²⁾	5/2018	~ EUR 60 mn	-1,000	EUR [50] mn ³⁾	12/2021	Auto OEM/ Industrial	5%
		+ FCF Improvement Target						
5	Working Capital ⁴⁾	4/2016	~ EUR 350 mn	-	-	12/2020	Group	75%
6	Supply Chain ⁵⁾	8/2018	New to come	-	-	12/2021	Group	0%

1) HCO = Headcount

3) Best estimate for 2018

2) On-top initiatives outside of Agenda 4 plus One

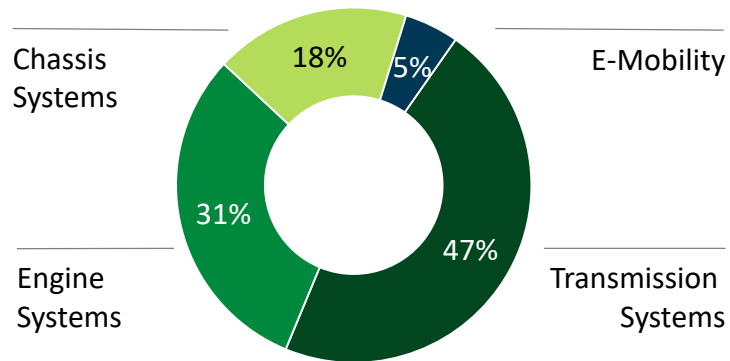
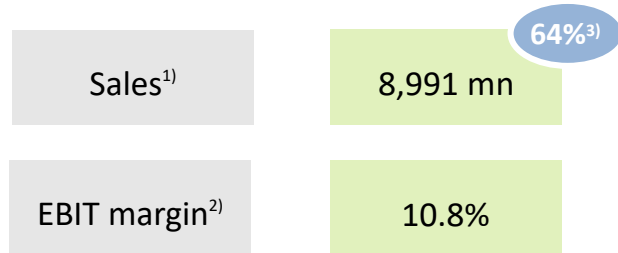
4) Focused on Trade Payables and Receivables

5) Focused on delivery performance and inventories

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Schaeffler Group – Diversified business portfolio with three divisions

Automotive OEM



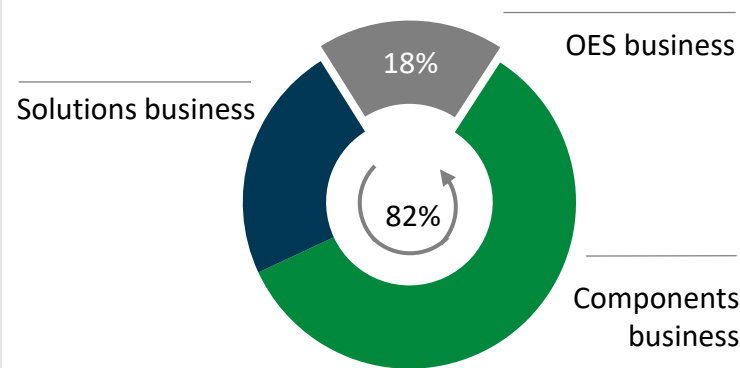
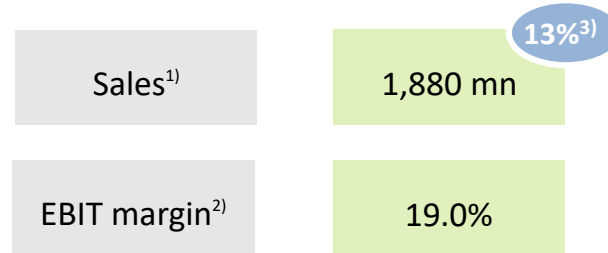
Based on 2017 Sales

1) FX adjusted Sales FY 2017

2) Based on EBIT Before special items FY 2017

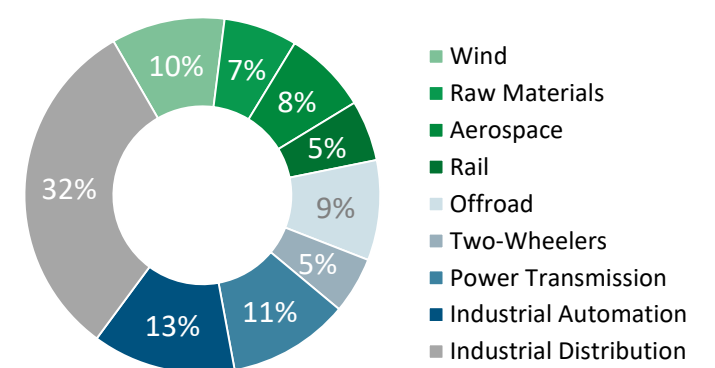
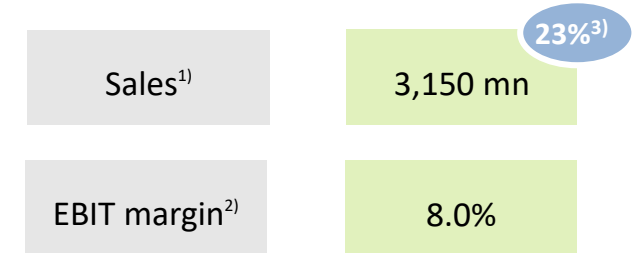
3) in % of Group Sales 2017

Automotive Aftermarket



Based on 2017 Sales

Industrial

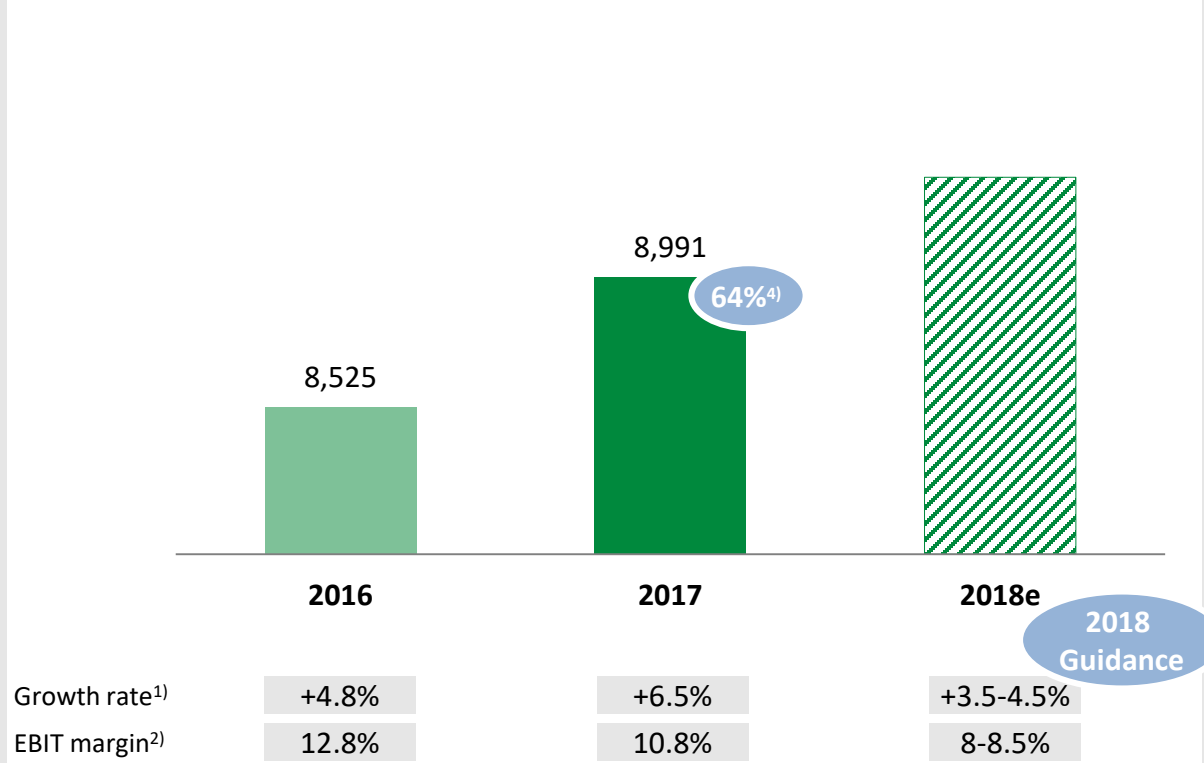


Based on 2017 Sales

1 Automotive OEM – At a Glance

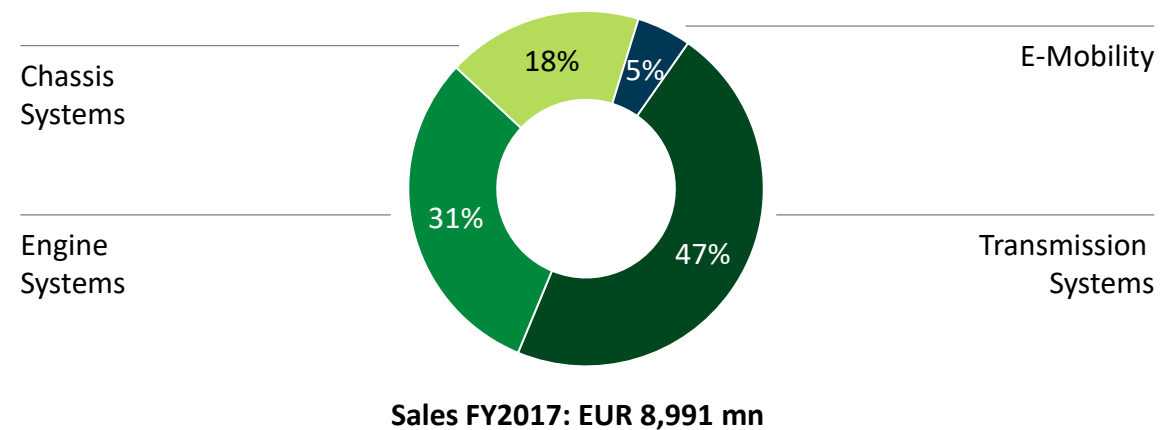
Sales and EBIT margin³⁾

in EUR mn



1) FX-adjusted
 2) Before special items
 3) FY 2017
 4) In % of Group Sales 2017

Sales by business division³⁾



Sales split by customer mix



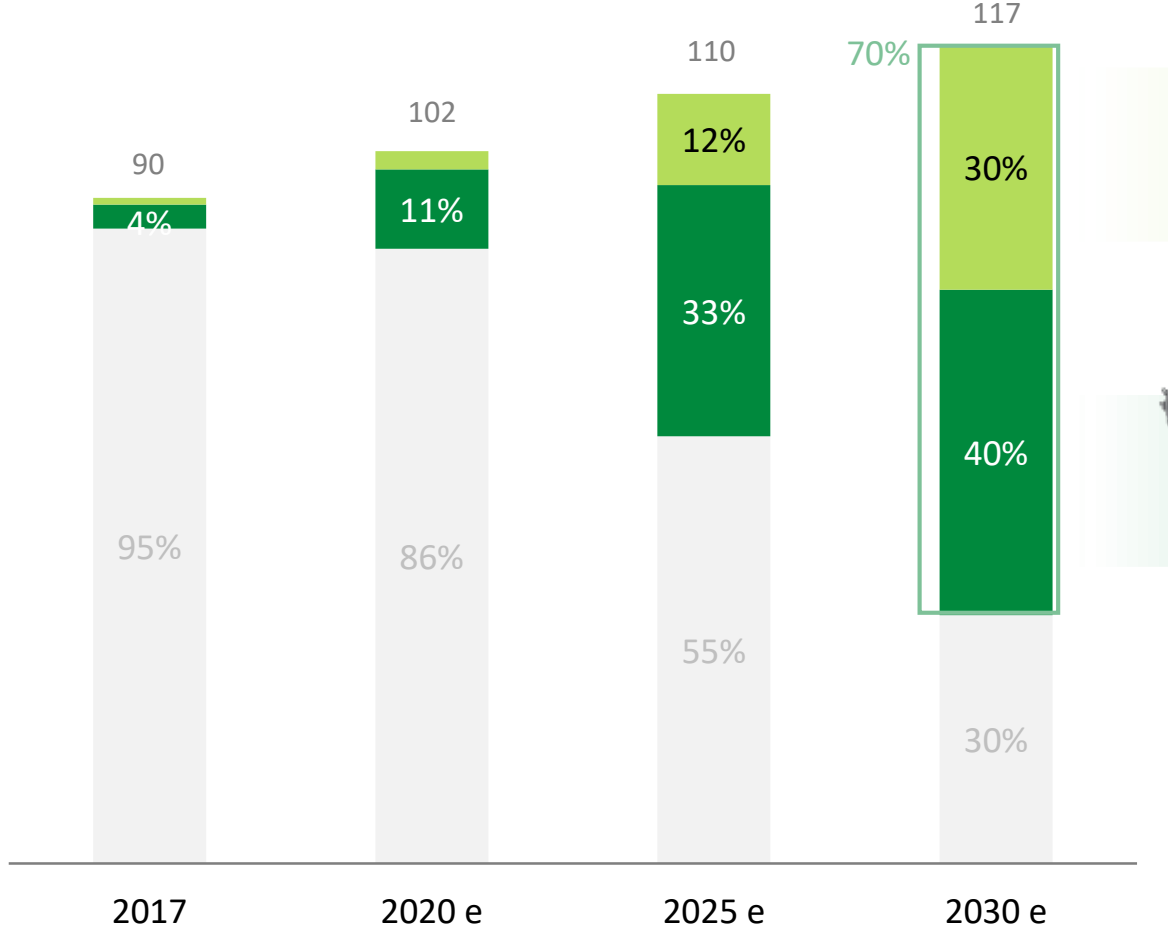
Powertrain evolution – Our E-Mobility Strategy

SCHAEFFLER

More than 30 customer projects and 8 series contracts

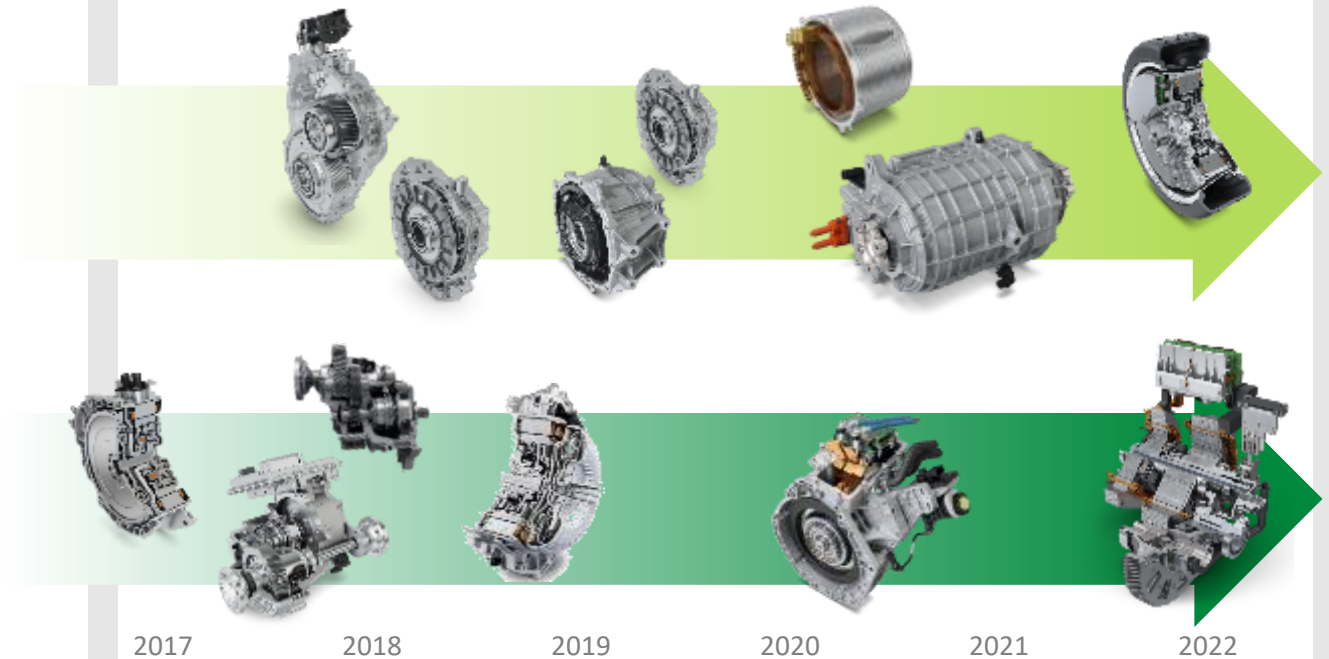
Vision Powertrain

Global vehicle production [in mn units]



Source: IHS and Schaeffler Assumptions / Values based on Light Vehicles < 6 tons only, ICE = Internal Combustion Engine; HEV = Hybrid Electric Vehicles ranging from 48V Mild Hybrid to PHEV, BEV = Battery Electric Vehicles (incl. Fuel Cell Electric Vehicles)

E-Mobility Production Roadmap



- ▶ Hybrid Module Gen.2 and 2-speed E-Axle Transmissions for HEV applications in Series production
- ▶ Coaxial and parallel design 1-speed E-Axle Transmission for BEV application Europe SOP in process
- ▶ Hybrid Module Gen.3 with integrated Torque Converter to follow 12/2018

E-Mobility – Content per vehicle

SCHAEFFLER

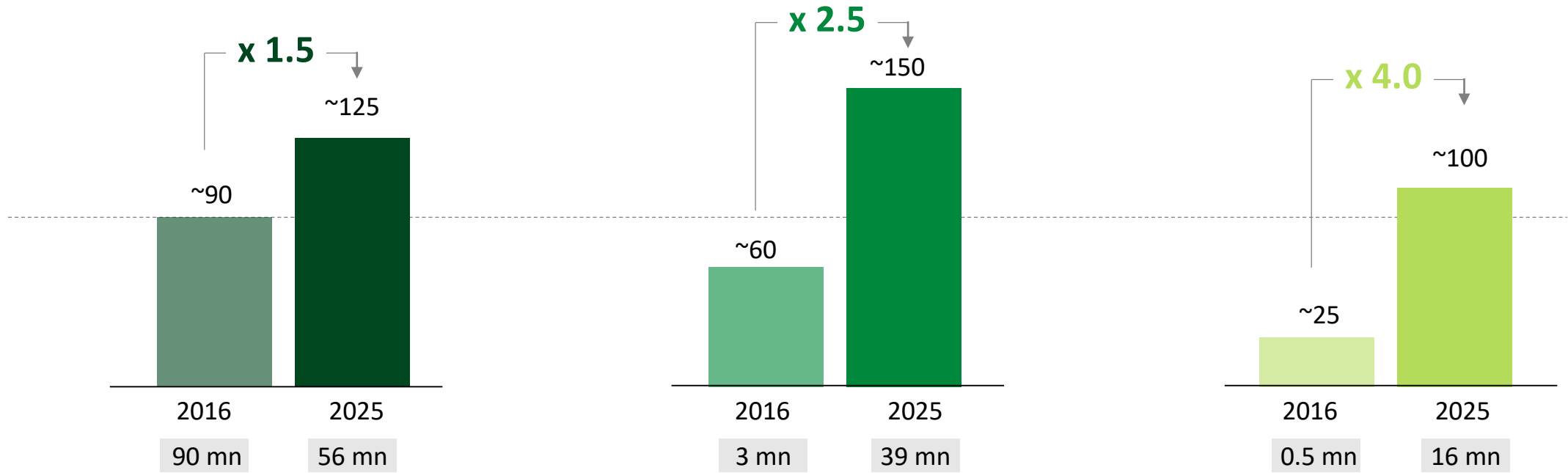
excl. Aftermarket, Heavy Duty & Motorcycles

Content per Vehicle ¹⁾ in EUR

1 ICE

2 HEV

3 BEV



Average Content per Vehicle 2025
~EUR 130 ²⁾
~6% CAGR ³⁾

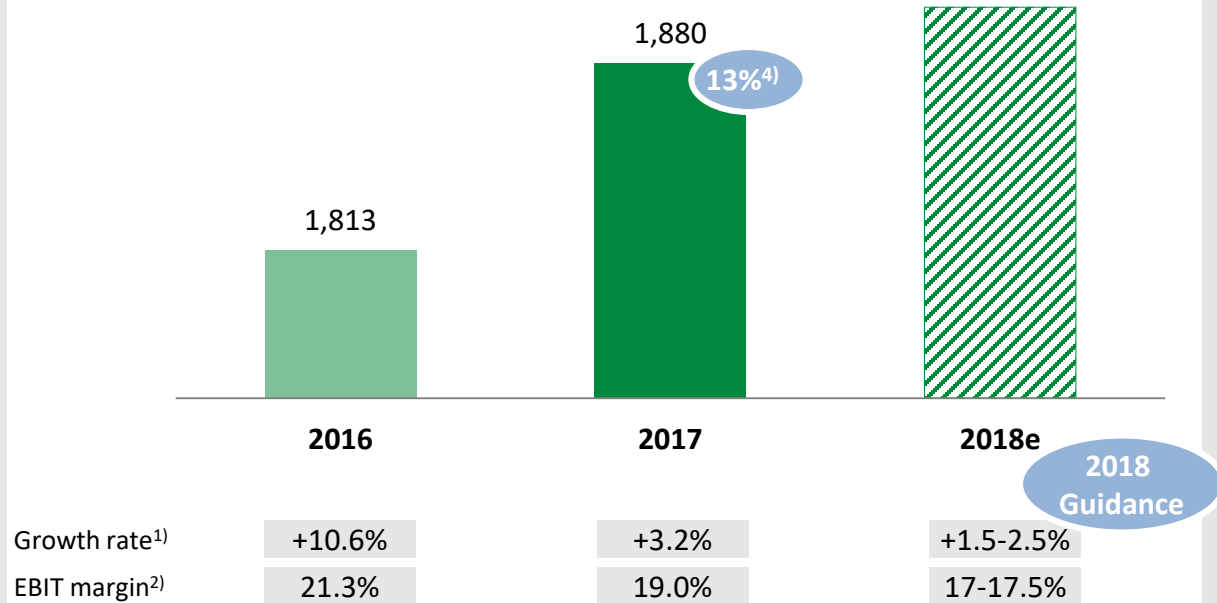
- mn No. of light vehicles²⁾

¹⁾ Average Schaeffler Content per light Vehicles produced world wide (excluding Aftermarket, Heavy Duty & Motorcycles content) ²⁾ according to Schaeffler Accelerated Scenario ³⁾ Market Growth 2016-2025: 1.8% (Source: IHS; July 2017) + Content per Vehicle growth ~4%

2 Automotive Aftermarket – At a Glance

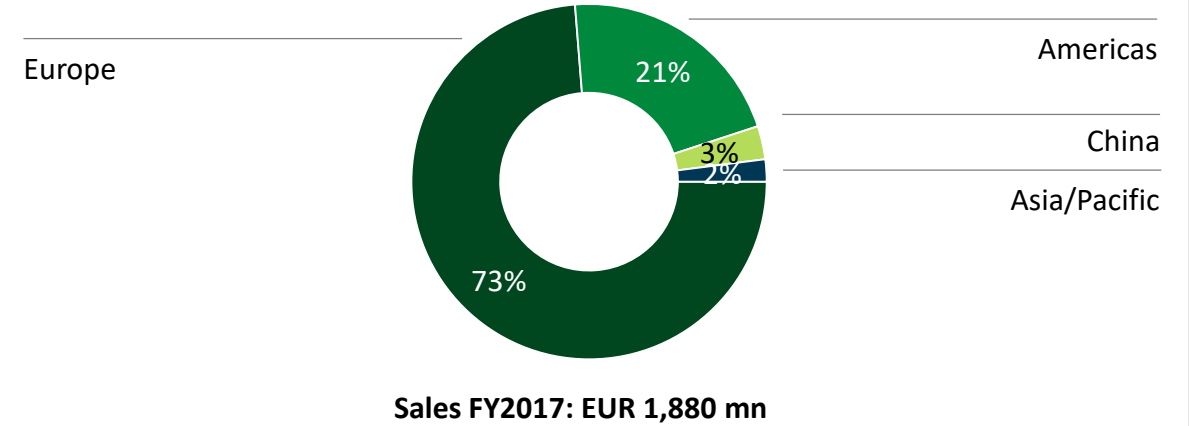
Sales and EBIT margin³⁾

in EUR mn



1) FX-adjusted
 2) Before special items
 3) FY 2017
 4) In % of Group Sales 2017

Sales by region³⁾



Sales split by channel



Components



- ▶ Traditional business with replacements parts
- ▶ Growing with global vehicle fleet
- ▶ Growing with average vehicle age

Solutions



- ▶ Complete sets and kits for plug n' play repair solutions
- ▶ Increasing vehicle complexity leads to increasing need for information on workshop level
- ▶ Total repair costs are dominated by labour costs, driving more and more comprehensive, all-in-one quality repairs

Outlook

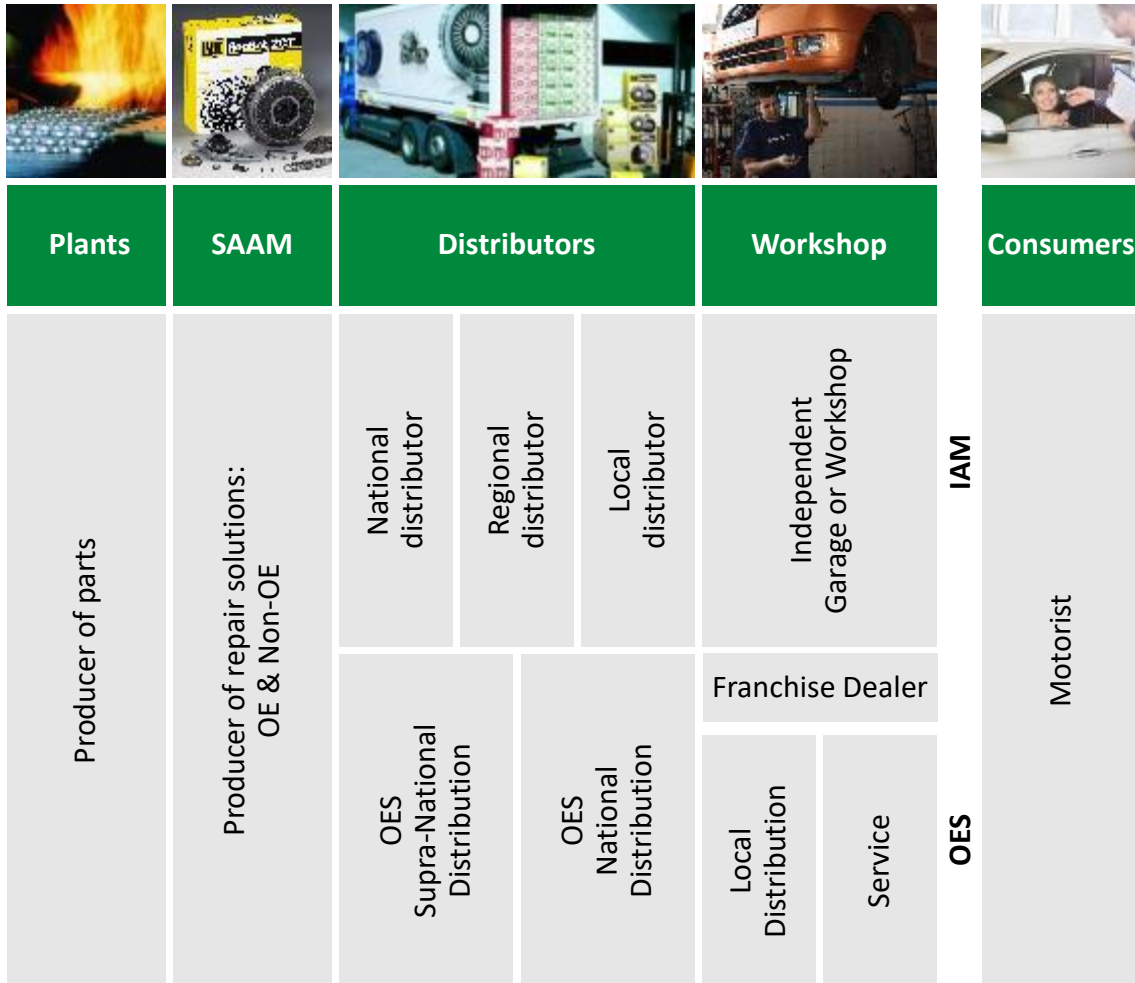


- ▶ Trends in OEM business fuel future Aftermarket potential
- ▶ Repair solutions will remain core growth driver going forward
- ▶ Additional aftermarket potential from intelligent repair solutions for E-axes and hybrid modules

Dedicated pull strategy for whole value chain – Workshop satisfaction key for success

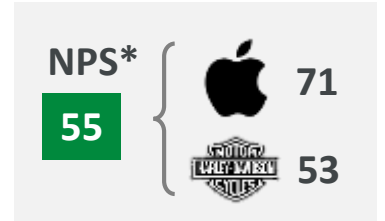


The 7 levels of our market



Top 7 player

- ▶ Pull Strategy along all distribution levels
- ▶ 50,000+ workshops trained p.a.
- ▶ 5,000 distributors globally
- ▶ Market leader in Europe and Americas

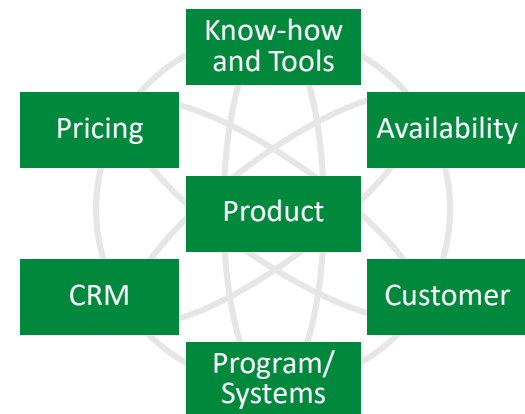


2016 Supplier of the Year



* Our Net Promoter Score - Workshop Level

Value proposition – 7 elements



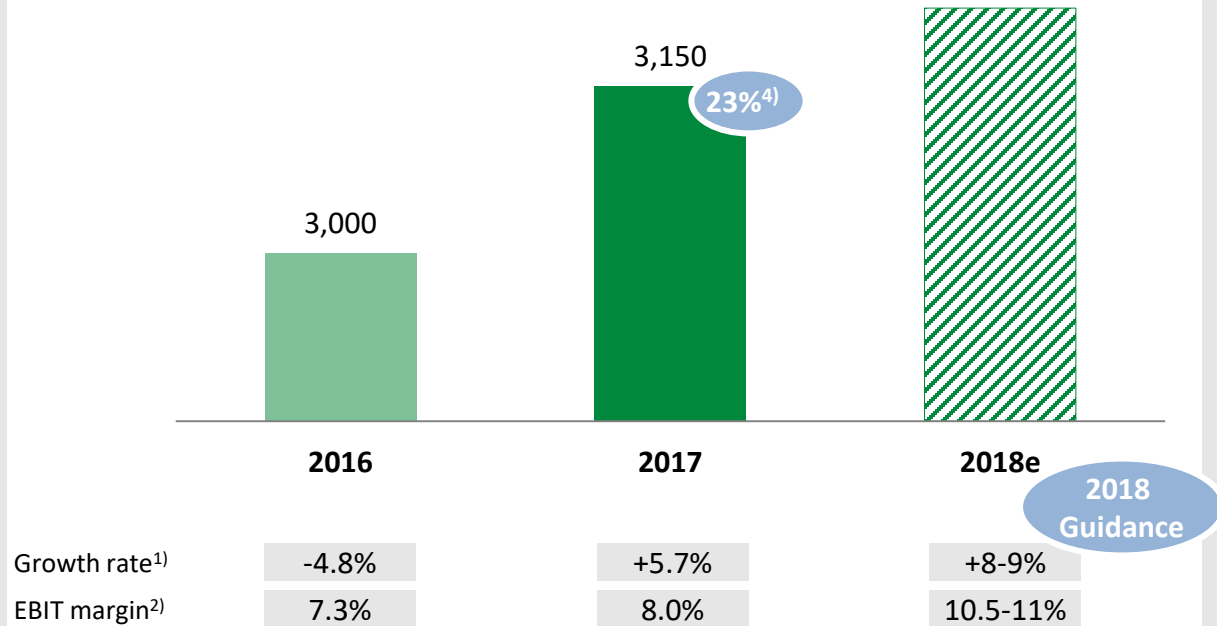
Excellent satisfaction on workshop level

- 87 Product
- 87 Program/Systems
- 88 Availability
- 76 Know-how and tools
- 86 Customer service
- 85 CRM

Source: 2016 customer satisfaction survey 0 ... 100 score

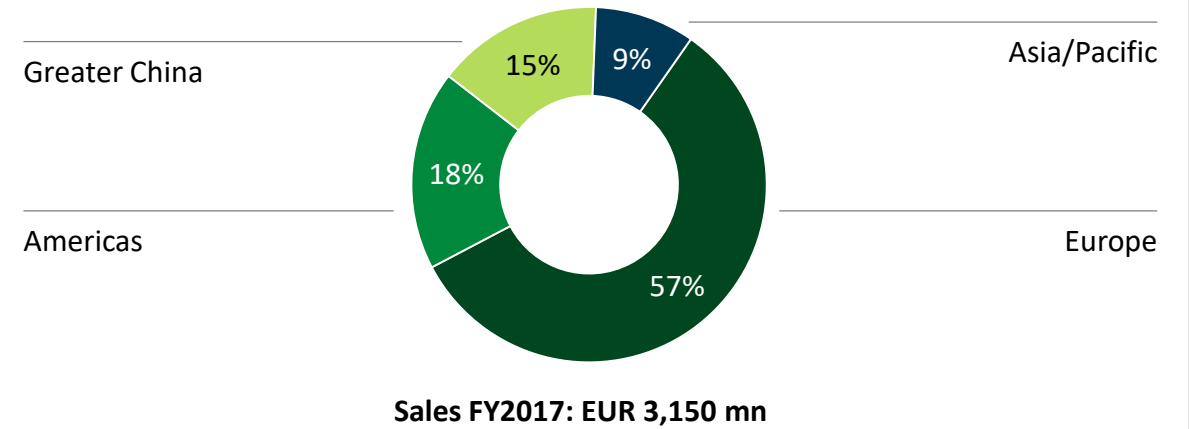
Sales and EBIT margin³⁾

in EUR mn

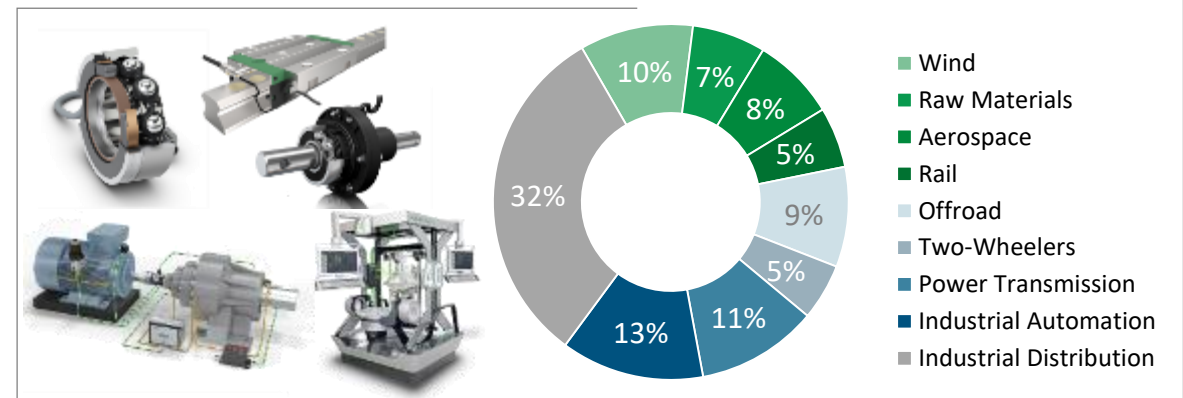


1) FX-adjusted
 2) Before special items
 3) FY 2017
 4) In % of Group Sales 2017

Sales by region³⁾



Industrial sales by sector cluster



Broad range of standard and customized products

Portfolio

Industry 4.0 services



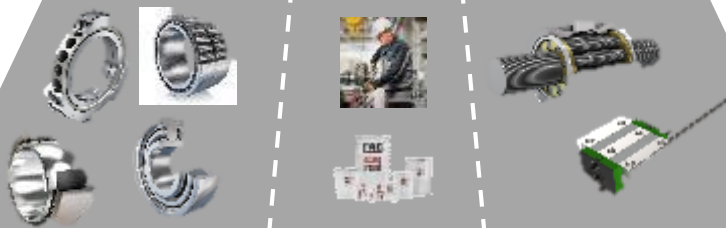
Mechatronics



Mechanical Systems



Components



Rotative Technology

Services

Linear Technology

Industry 4.0

Region

Europe

Americas

Greater China

Asia Pacific

Sector split

Wind

Raw Materials

Aerospace

Railway

Offroad

Two Wheelers

Power Transmission

Industrial Automation

Channel

OEM & MRO

Distribution

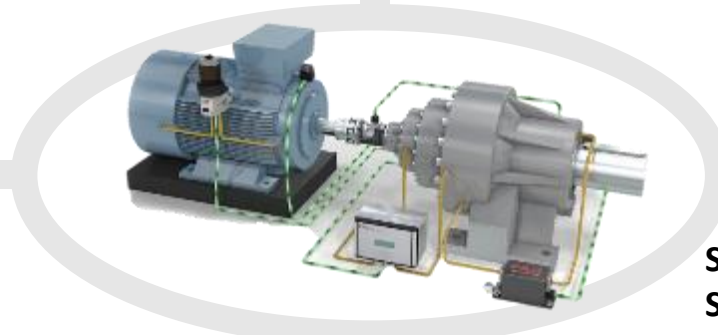
Showcase SPIT – E-Motors

- ▶ Handling of SmartCheck + easy access to the Schaeffler Services Cloud & digital services
- ▶ Presentation customer reference + value proposition
- ▶ Product- & service- portfolio



Showcase PERLENBACH – Pumps

- ▶ Plain text messages SmartQB + autonomous relubrication + openness Smart Ecosystem: Entry level
- ▶ Presentation customer reference + value proposition
- ▶ Product- & service- portfolio



Showcase ZF – Transmission

- ▶ Cloud-to-Cloud communication + Schaeffler Domain-Knowhow + openness of the Smart Ecosystems: Digital service without mechatronics
- ▶ Presentation customer reference + value proposition
- ▶ Product- & service- portfolio



Showcase SSI SCHÄFER – Logistics

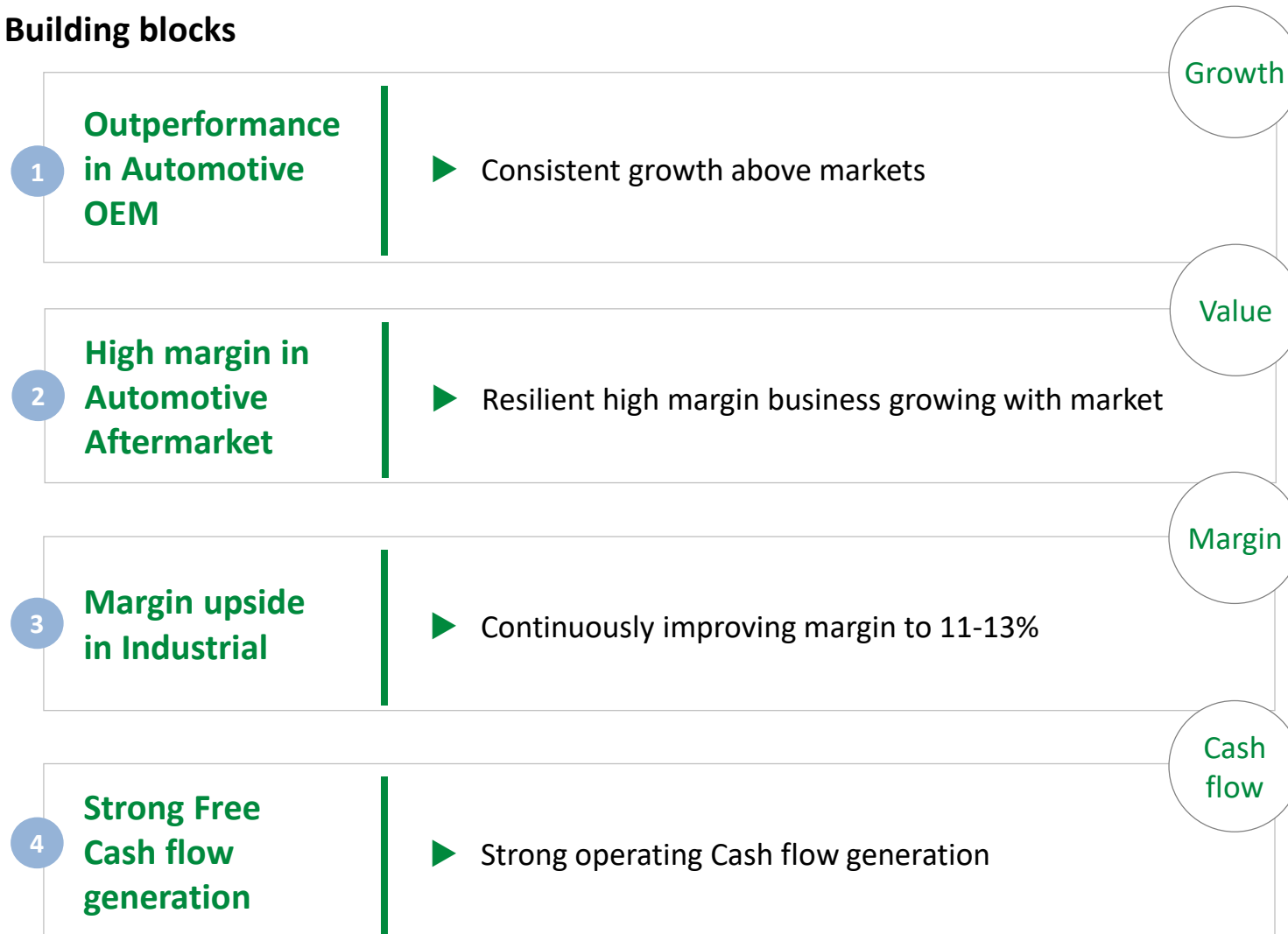
- ▶ Condition Monitoring-solution and automated relubrication for logistics
- ▶ Presentation customer reference + value proposition
- ▶ Product- & service- portfolio



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Sustainable value creation – Four main building blocks

Building blocks



Key aspects

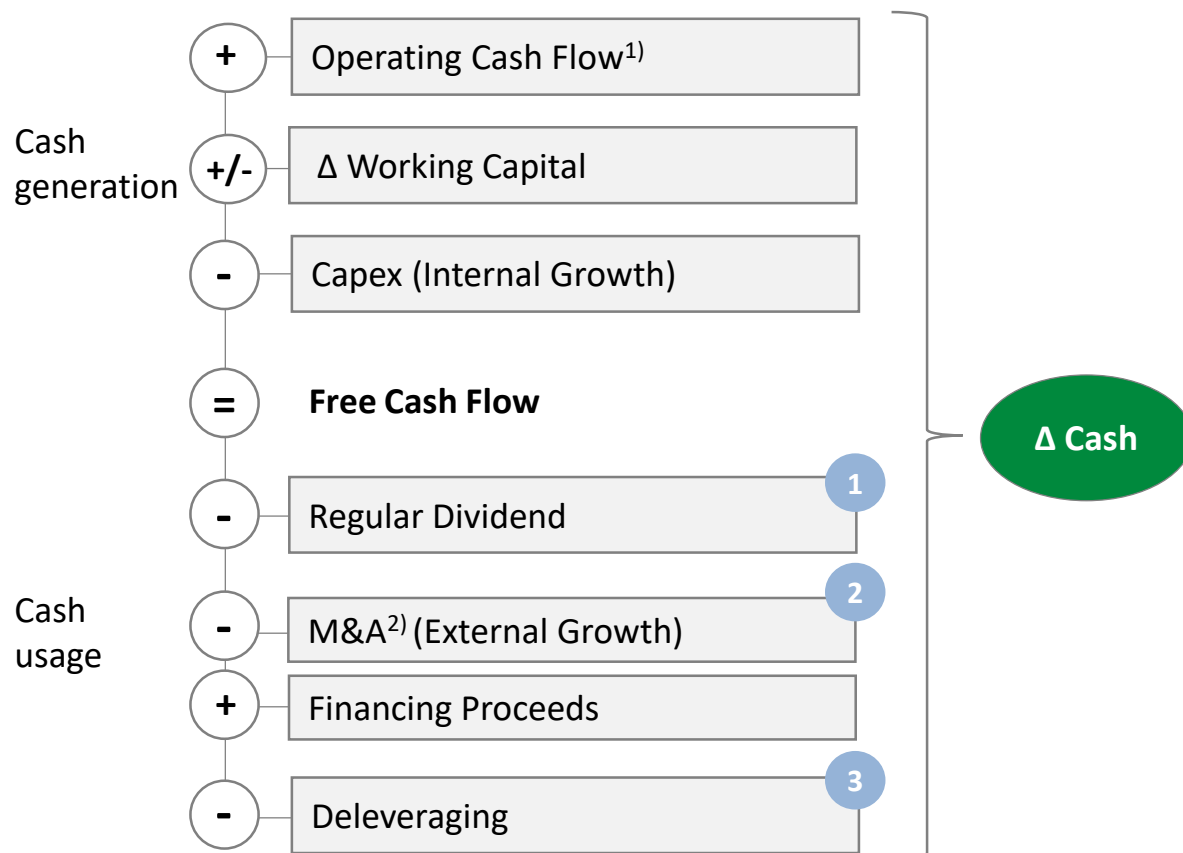
- ▶ 3 divisions with different business characteristics and value drivers
- ▶ Resilient Aftermarket business compensates for Automotive OEM and Industrial business
- ▶ Strong Free Cash Flow generation as a key management focus



Profitable growth and sustainable value creation

Use of cash – Focus on future growth and attractive dividend

Our Cash Flow formula



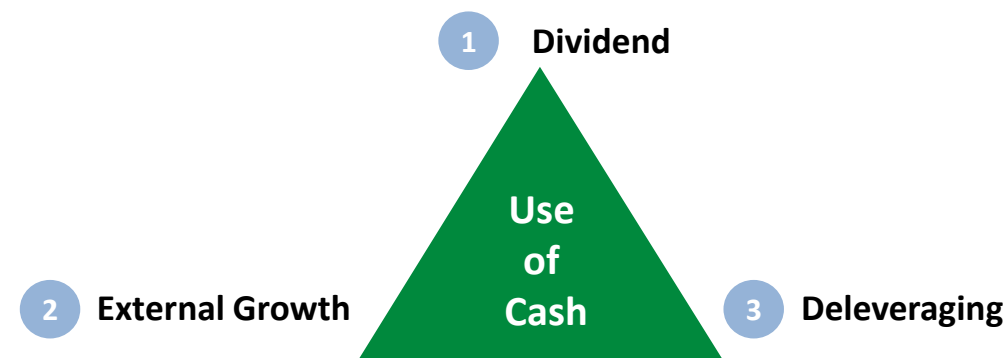
¹⁾ Before Δ Working Capital

²⁾ Including one-off long-term investment projects (i.e. Real estate)

³⁾ Adjusted for one-offs

Key aspects

- ▶ Strong cash flow generation from operating business and 3 main uses of cash:

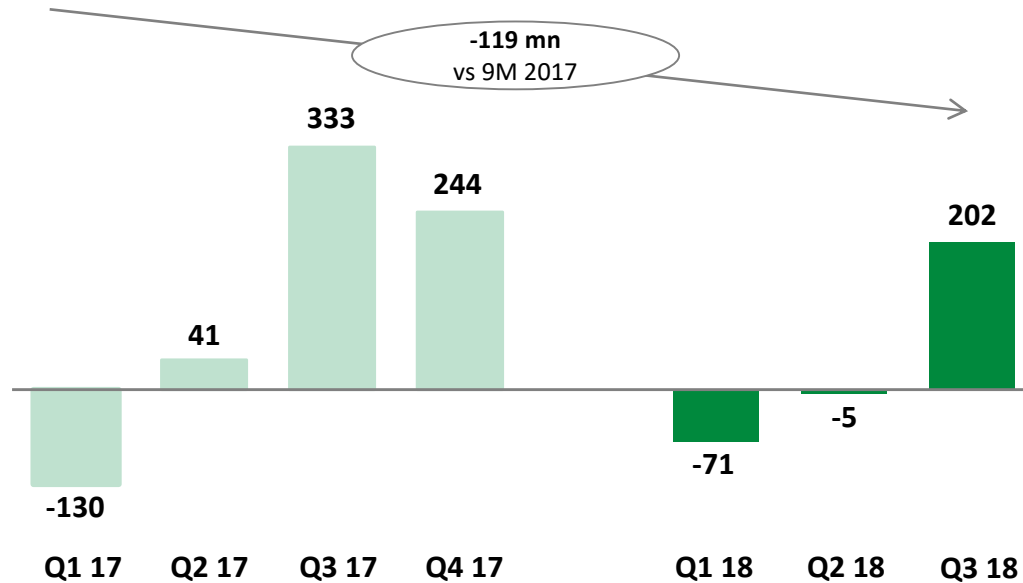


- ▶ Above average annual dividend pay-out (30-40% of net income³⁾)
- ▶ Internal growth financed from operating cash-flow, external growth primarily by debt
- ▶ Sound balance sheet, sufficient financing headroom to target external growth

Free Cash Flow details YTD 2018 – Capex Ratio Q3 at 7.4%

Free Cash Flow

in EUR mn



	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18
FCF before M&A	-111	25	333	268	-69	-5	201
FCF conversion ratio ⁴⁾	30%	18%	21%	22%	24%	22%	17%
Capex ratio ⁵⁾	8.4%	8.5%	8.1%	11.3%	8.6%	7.9%	7.4%

1) Including payments for legal cases and restructuring measures

2) Capex in major logistic projects Aftermarket Kitting Operation (AKO), European Distribution Center (EDC) and initiative Focus

3) Cash in- and outflows for M&A activities

4) LTM FCF before M&A divided by LTM EBITDA before special items

5) Capex in % of sales

Key aspects

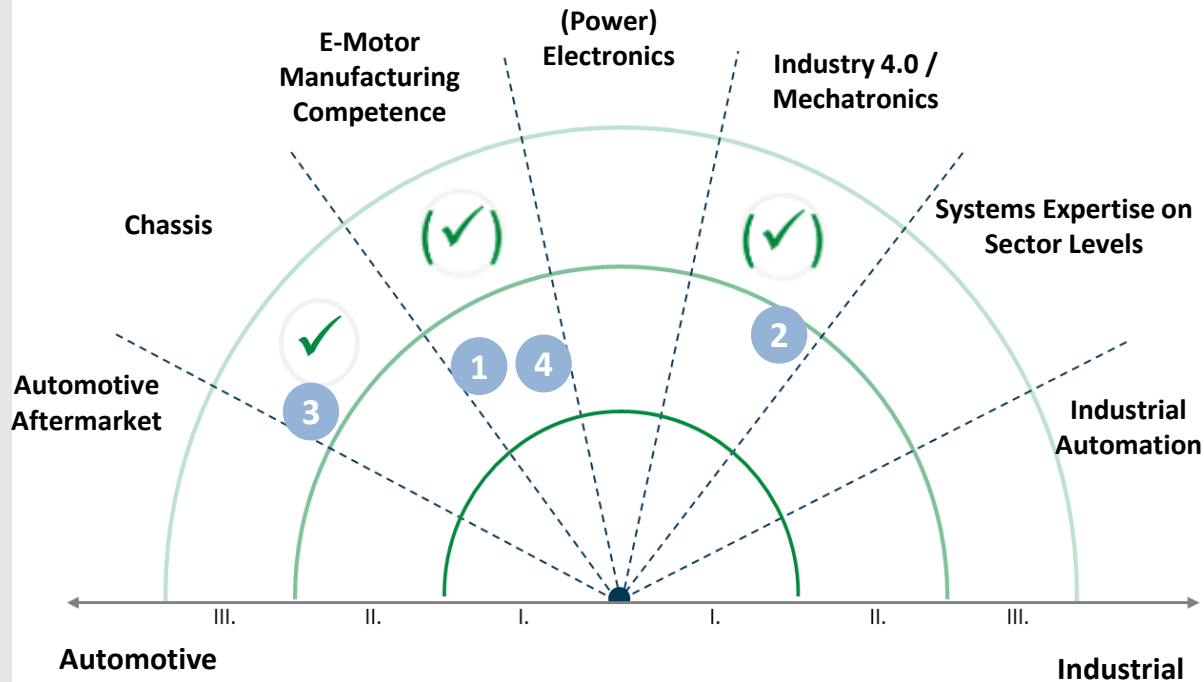
- ▶ FCF before M&A at EUR 201 mn in Q3'18 (PY: EUR 333 mn), FCF conversion ratio 17%
- ▶ Lower EBIT and higher inventory level as main drivers for lower FCF before M&A
- ▶ Capex to sales ratio reduced to 7.4% in Q3'18 (Q3'17: 8.1%), showing more disciplined Capex spending

FCF Details

in EUR mn

	Q3 2017	Q3 2018	Δ Q3 17/18	9M 2017	9M 2018	Δ 9M 17/18
FCF as reported	333	202	(131)	244	126	(118)
Non recurring items ¹⁾	10	9	(1)	103	85	(18)
AKO / EDC/ Focus ²⁾	26	7	(19)	66	33	(33)
M&A ³⁾	0	(1)	(1)	3	1	(2)
Receivable Sale Program	(54)	(47)	7	(54)	(47)	7
	315	170	(145)	362	198	(164)

7 Search fields



M&A transactions announced until November 30:

1 	2 	3 	4 
12/2016	10/2017	8/2018	11/2018

Key aspects

- ▶ Clearly defined M&A strategy based on 7 search fields with focus on technology, innovation and smaller add-on acquisitions
- ▶ Target transaction sizes to vary between EUR 100 – EUR 500 mn, strategic/cultural fit and value contribution as most important acquisition criteria
- ▶ 4 acquisitions made so far, growing M&A pipeline, disciplined execution is key to success



Focus on technology and execution

"Steer by wire" – Key aspects

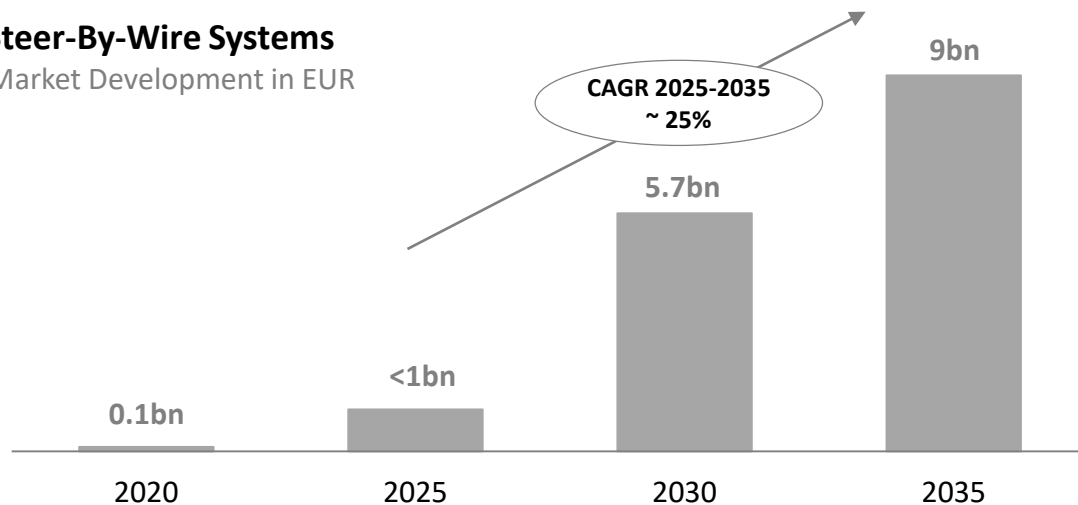
- Steer by wire is a key-enabling technology for the fast-growing market segment autonomous driving
- Paravan’s unique SPACE DRIVE technology is the only Steer-By-Wire System in the market which:
 - is road approved (> 500 Mio. Kilometers)
 - meets latest safety regulation standards
 - can operate also braking and secondary vehicle functions
 - can be scaled in to mass production

Selected components of the "Steer by wire"-technology



Steer-By-Wire Systems

Market Development in EUR



Acquisition – Key aspects

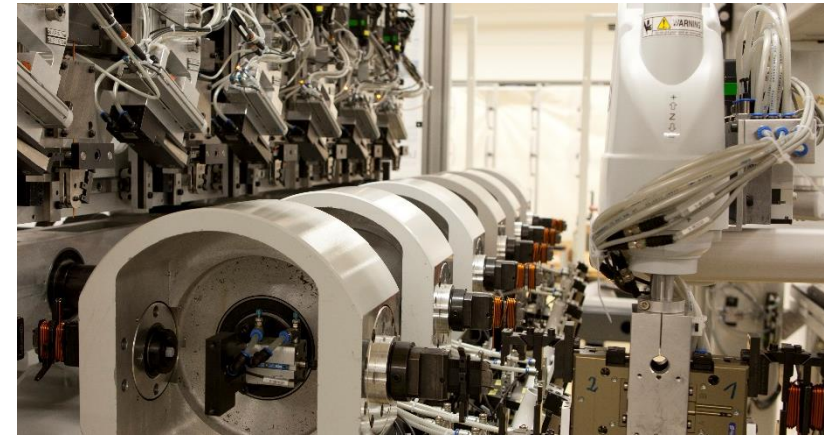
- Schaeffler acquires "Drive by wire"-technology from Paravan and its founder Roland Arnold
- Schaeffler establishes Joint Venture with Paravan founder (90%/ 10%) to develop and further industrialize the technology
- Acquired technology allows Schaeffler to enter the very attractive and fast-growing "Drive by wire"-market in an accelerated manner
- Closing in Q4 2018

Elmotec Statomat Acquisition – Another key step to implement our E-Mobility strategy

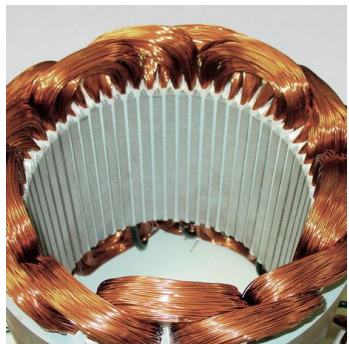
Elmotec Statomat – Key aspects

- Elmotec is a pioneer in the production of stator manufacturing machines and one of the leading suppliers of machines for the production of stators for electric motors, alternators and generators
- The headquarter of Elmotec Statomat GmbH is located in Karben near Frankfurt am Main (Germany). Elmotec has around 200 employees
- Elmotec has been focusing on the round wire, flatwire and continuous-hairpin process technologies, and holds over 50 patents for innovative winding technology (e.g. wave-winding)

Innovative technology & production processes



Expertise in winding-technology for E-Mobility



Round wire winding



Flat wire wave-winding



Continuous Hairpin

Acquisition – Key aspects

- Schaeffler acquires 100% of Elmotec Statomat GmbH from its two founders who remain in charge operationally
- Elmotec Statomat will be integrated within the E-Mobility business division
- The acquisition complements Schaeffler's E-Motor mass production and industrialization capabilities
- Closing expected in Q1 2019



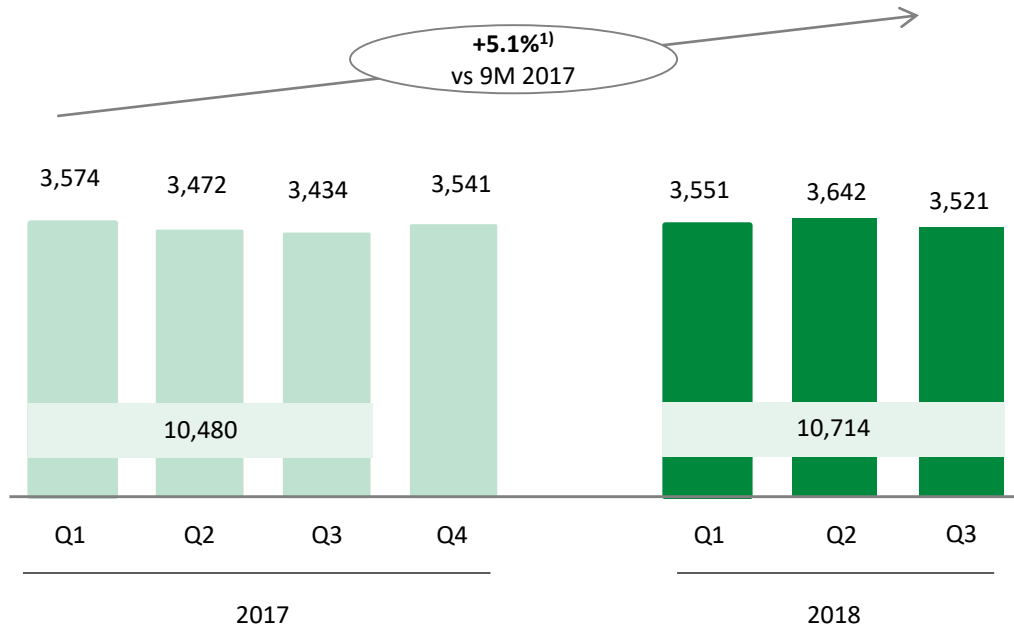
Investor Relations

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Email: ir@schaeffler.com
Web: www.schaeffler.com/ir

1 Sales growth Q3'18 +3.7%¹⁾ – Region Americas and Greater China with highest growth rates

Sales

in EUR mn



	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
Reported growth	+6.9%	+3.1%	+5.2%	+5.4%	-0.6%	+4.9%	+2.5%
Sales growth ¹⁾	+5.4%	+2.2%	+7.4%	+8.5%	+3.9%	+7.9%	+3.7%

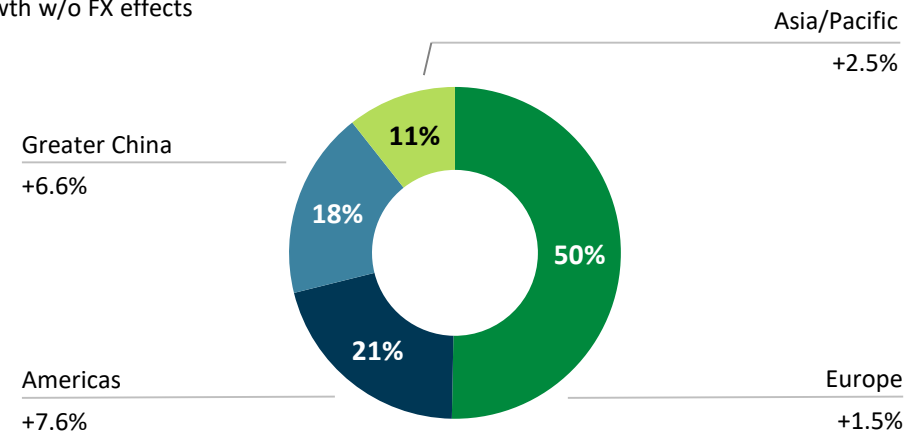
1) FX-adjusted

Key aspects Q3'18

- ▶ Group sales up by +3.7%¹⁾ (Q3'17: +7.4%¹⁾), all regions contributed
- ▶ Sales growth mainly driven by Americas (+7.6%) and Greater China (+6.6%, thereof: AOEM +2.5%; AAM +37.3%; Industrial +17.6%)

Sales by region Q3 2018

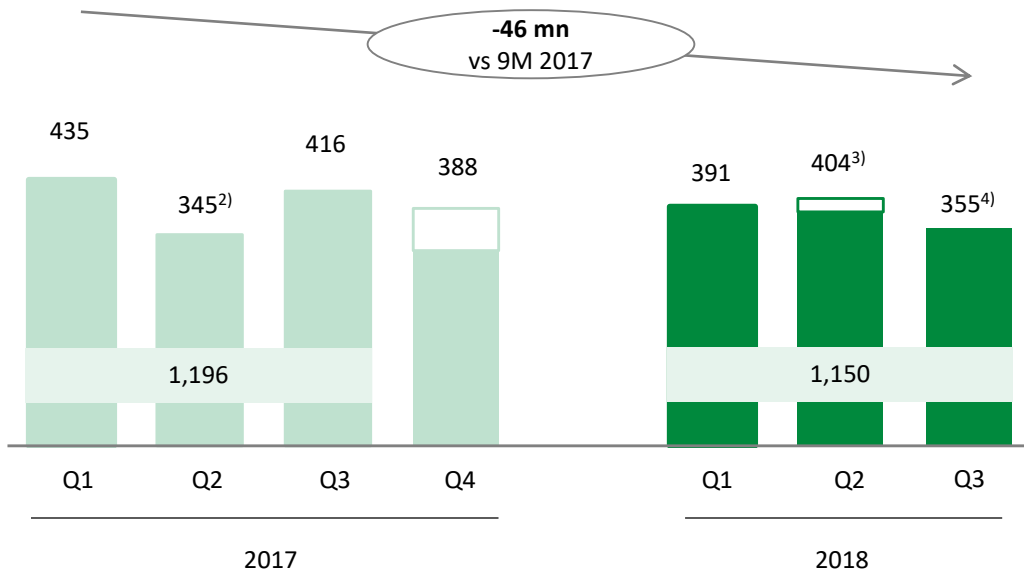
y-o-y growth w/o FX effects



2 EBIT Margin Q3'18 10.1% – 2.0%-pts. below prior year quarter

EBIT¹⁾

in EUR mn



EBIT margin ¹⁾	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3
	12.2%	9.9%	12.1%	11.0%	11.0%	11.1%	10.1%

1) Before special items
 2) Reported EBIT of EUR 358m including EUR 13m positive special item
 3) Reported EBIT of EUR 382m including EUR 22m restructuring expenses related to the dissolution of the internal supplier BCT
 4) Reported EBIT of EUR 358m including EUR 21m positive special item

Key aspects Q3'18

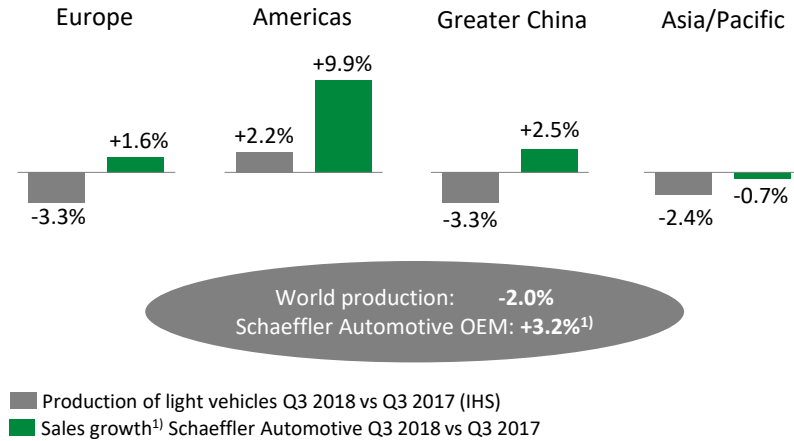
- ▶ Gross profit margin decreased from 28.1% to 26.5% mainly driven by ramp up costs, project delays in China and higher production costs (including higher raw material prices)
- ▶ Increase in administration expenses driven by Agenda 4 plus One initiatives
- ▶ Reported EBIT includes EUR 21 mn positive special item

EBIT margin¹⁾

	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
Automotive OEM	11.9%	9.4%	10.7%	11.2%	9.5%	9.0%	7.9%
Automotive Aftermarket	19.2%	15.3%	23.1%	17.9%	17.9%	20.0%	16.8%
Industrial	8.6%	8.5%	8.9%	6.1%	11.4%	11.8%	12.1%
Total	12.2%	9.9%	12.1%	11.0%	11.0%	11.1%	10.1%

A Automotive OEM – 5.2%-pts. outperformance versus market in Q3'18

Automotive OEM sales and market development Q3

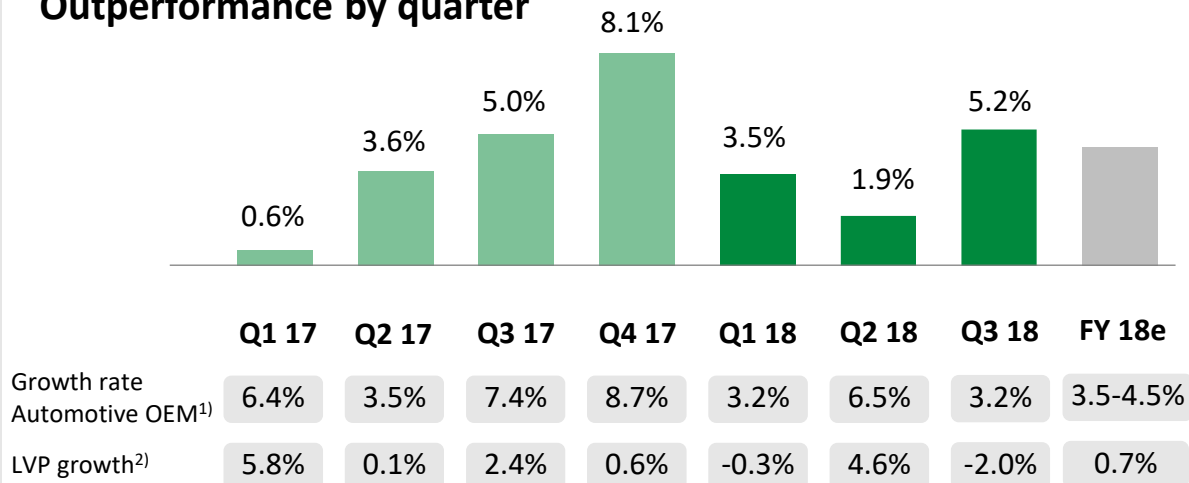


Sales by business division

in EUR mn

	Q3 2017	Q3 2018	Δ ¹⁾
Engine Systems	669	691	+4.1%
Transmission Systems	992	996	+1.2%
E-Mobility	103	128	+25.3%
Chassis Systems	374	376	+1.3%
Total	2,138	2,191	+3.2%

Outperformance by quarter



Key aspects Q3'18

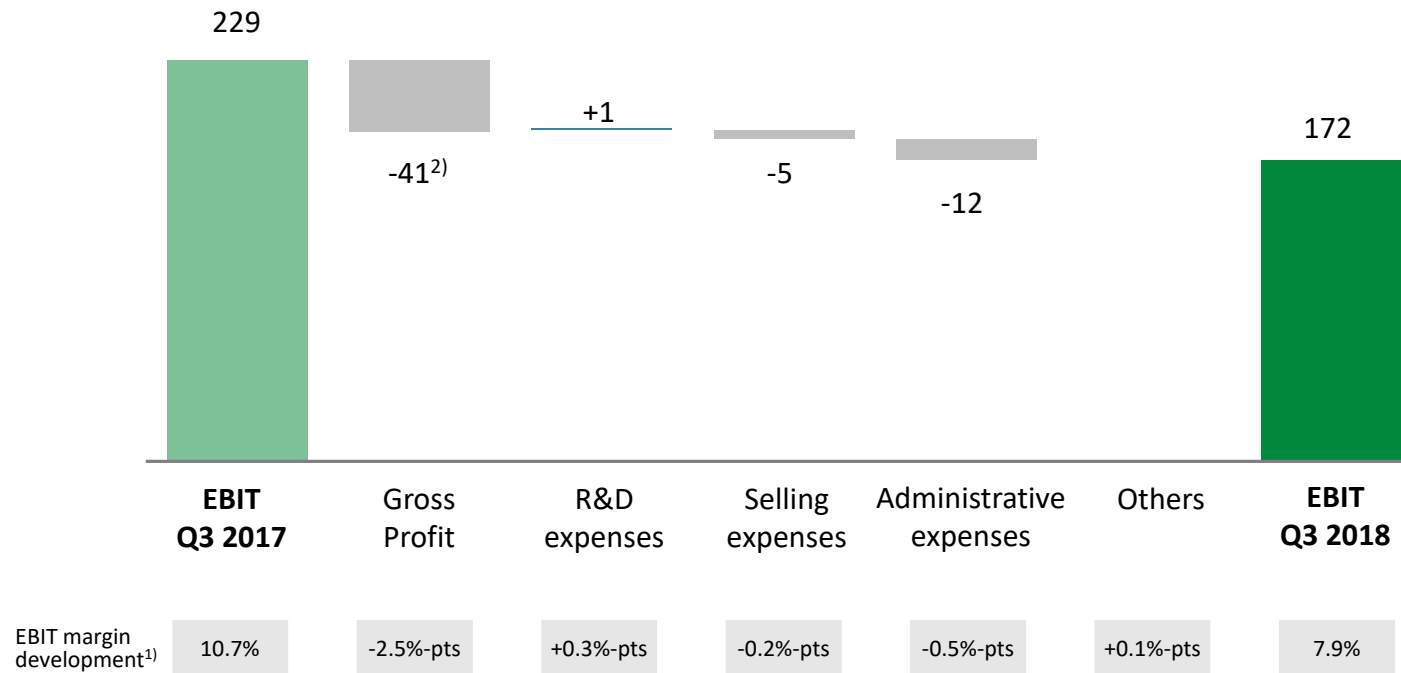
- ▶ Outperformance Q3'18 of 5.2%-pts. versus global production growth
- ▶ All Regions outperforming despite weak market environment
- ▶ Business division E-Mobility with over 25% growth in Q3

1) FX-adjusted 2) Source: HIS Markit, as of October 2018

A Automotive OEM – Q3 EBIT margin²⁾ of 7.9% (Q3'17: 10.7%)

EBIT¹⁾ Q3 2017 vs. Q3 2018

in EUR mn



1) Before special items

2) Includes positive FX effects of EUR 4 mn

Key aspects

- ▶ Gross margin declined from 25.6% to 23.1% mainly driven by ramp up costs, project delays in China and higher production costs (including higher raw material prices)
- ▶ Increase in administration expenses driven by Agenda 4 plus One initiatives
- ▶ EBIT margin 7.9% in Q3'18 after 10.7% in Q3'17

E-Axle subsystems

Power Electronics



E-Machines



E-Axle Transmission



Actuators

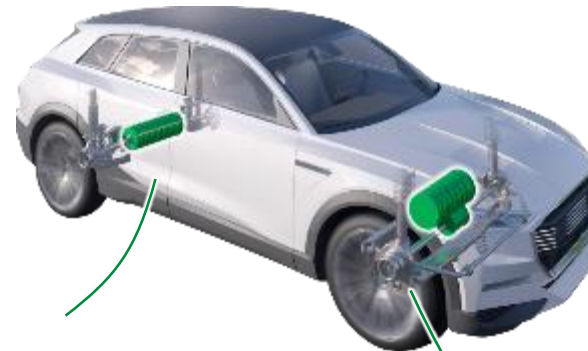


Software



2018 Schaeffler's new Lightweight E-Axle Transmissions for the Audi eTron Quattro

SOP Q3/2018



Rear:
Coaxial design
1-speed E-Axle
Transmission

Front:
Parallel design 1-
speed E-Axle
Transmission with
integrated electr.
mech. parking lock



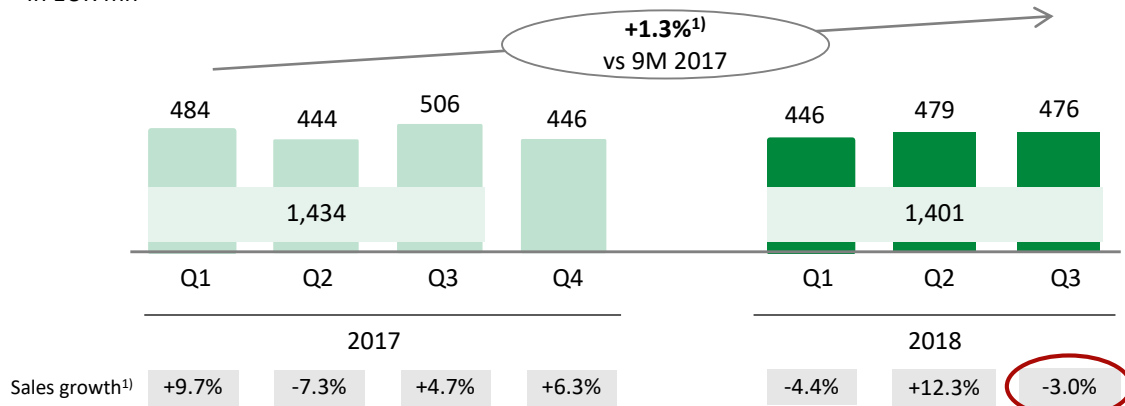
- ▶ Schaeffler supplies both E-Axle Transmissions for the new Audi eTron Quattro
- ▶ Both E-Axles are based on Schaeffler's patented Lightweight Differential technology
- ▶ The rear axle is build in coaxial design and sets a new benchmark in power density (230 Nm/kg).
- ▶ The front axle is build in parallel design and includes a parking lock with electro-mechanical actuator

Best-in class power density for E-Axle transmissions: **230 Nm/kg**

B Automotive Aftermarket – High comps in Region Americas and temporary lower sales in Europe

Automotive Aftermarket sales by quarter

in EUR mn

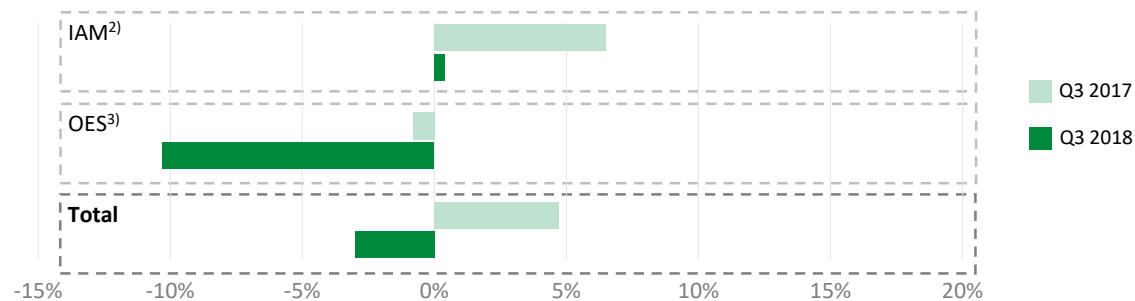


Sales by region

y-o-y growth

	Q3 2017	Q3 2018	Δ ¹⁾
Europe	375	355	-4.3%
Americas	106	89	-6.3%
Greater China	14	19	+37.3%
Asia/Pacific	11	13	+16.3%
Total	506	476	-3.0%

Automotive Aftermarket sales growth by channel Q3 2018¹⁾



1) FX-adjusted 2) Independent Aftermarket 3) Original Equipment Service

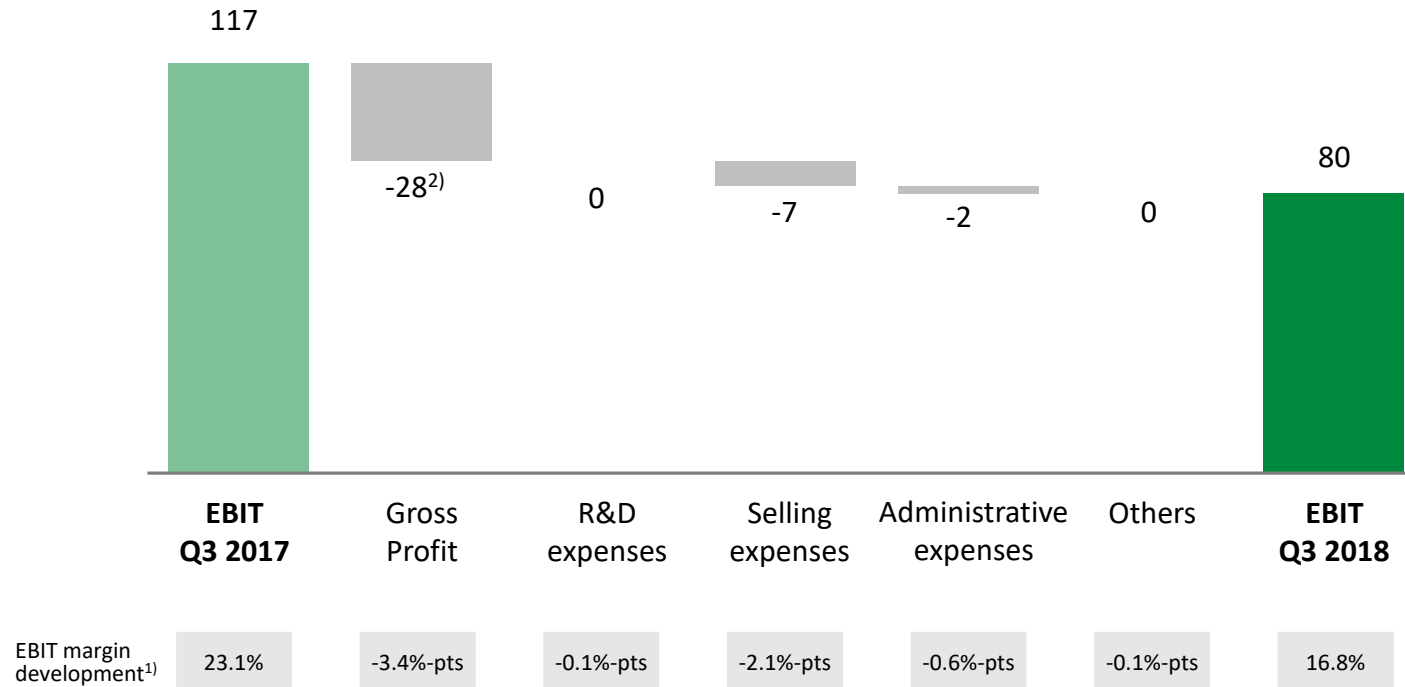
Key aspects

- ▶ Negative sales growth¹⁾ of -3.0% in Q3'18
- ▶ Lower sales driven by lower demand from European key customers and high comps of OES business in Americas
- ▶ Unexpected weakness in Q3'18 cannot be compensated in Q4'18; FY sales growth¹⁾ guidance adjusted to 1.5-2.5% (previously: 3-4%)

B Automotive Aftermarket – Q3 EBIT margin²⁾ of 16.8% (Q3'17: 23.1%)

EBIT¹⁾ Q3 2017 vs. Q3 2018

in EUR mn



1) Before special items

2) Includes negative FX effects of EUR -5 mn

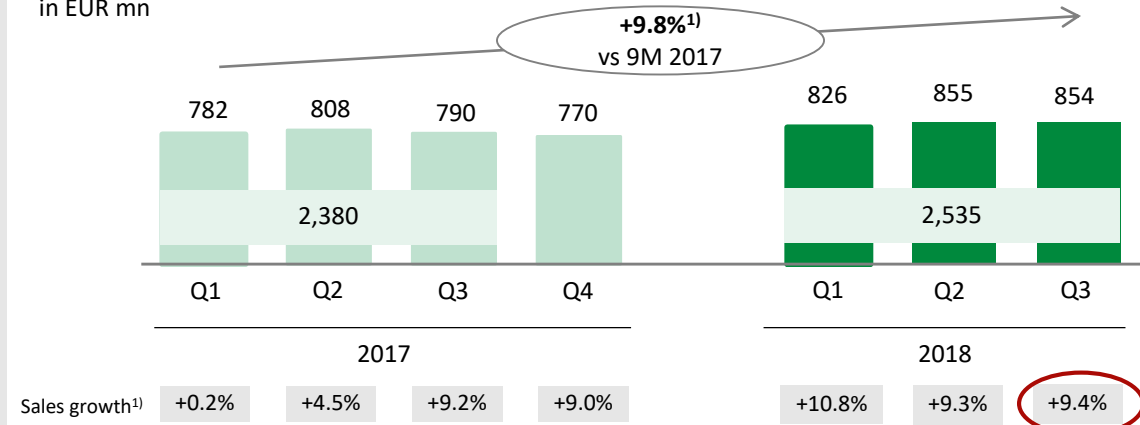
Key aspects

- ▶ Gross margin decreased from 38.1% to 34.7% of sales, mainly driven by higher production costs and price pressure in some markets
- ▶ Selling expenses higher mainly driven by increased spending for logistics and temporary higher marketing activities
- ▶ EBIT margin 16.8% in Q3'18 after 23.1% in Q3'17

C Industrial Division – All sectors and regions growing in Q3

Industrial sales by quarter

in EUR mn

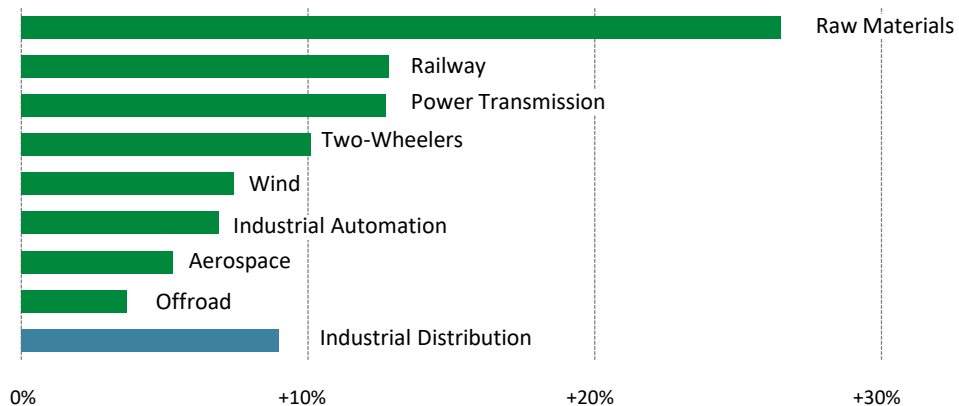


Sales by region

y-o-y growth

	Q3 2017	Q3 2018	Δ ¹⁾
Europe	446	469	+6.3%
Americas	139	150	+10.1%
Greater China	130	151	+17.6%
Asia/Pacific	75	84	+12.4%
Total	790	854	+9.4%

Industrial sales by sector cluster Q3 2018¹⁾



Key aspects

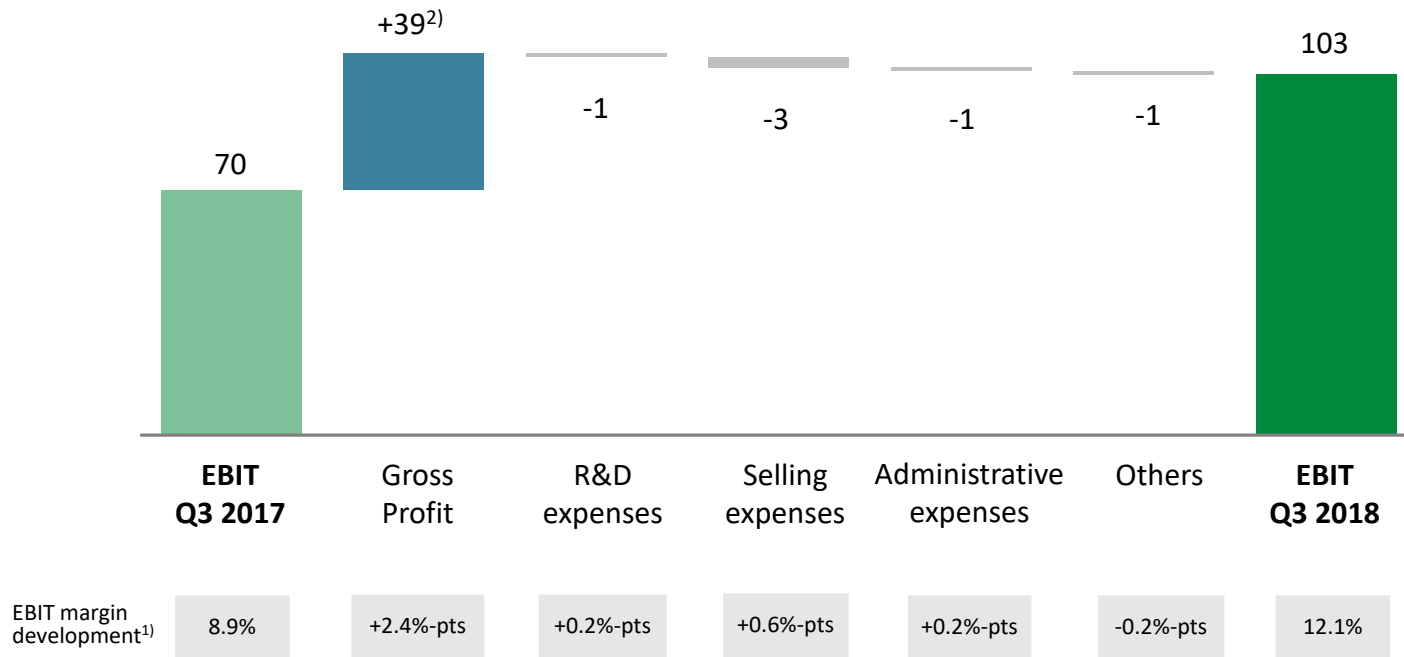
- ▶ Sales growth¹⁾ of 9.4% in Q3'18
- ▶ Very strong growth driven by all sectors as well as Industrial Distribution
- ▶ Sector Wind back on growth path on behalf of stronger demand in China

1) FX-adjusted

C Industrial Division – Q3 EBIT margin²⁾ of 12.1% (Q3'17: 8.9%)

EBIT¹⁾ Q3 2017 vs. Q3 2018

in EUR mn



1) Before special items

2) Includes negative FX effects of EUR -4 mn

3) Cost efficiency initiative

Key aspects

- ▶ Gross margin increased to 30.8% (Q3'17: 28.4%) driven by positive volume effects and favourable pricing
- ▶ Successful execution on CORE³⁾ – CORE I program completed, CORE II program well on track (Completion ratio of 40%)
- ▶ EBIT margin 12.1% in Q3'18 vs. 8.9% in Q3'17

Guidance FY 2018⁵⁾ – Adjustment triggered by Automotive OEM business in China

Group Guidance

	Old ⁴⁾	New ⁵⁾
Sales growth¹⁾ (in %)	+5-6%	+4-5%
EBIT margin²⁾ (in %)	10.5-11.5%	9.5-10.5%
Free Cash Flow³⁾ (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 assumptions⁵⁾

- ▶ 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

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

- 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**

Key figures¹⁾ by Group and division – new structure**Group**

in EUR mn

	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18
Sales	3,574	3,472	3,434	3,541	3,551	3,642	3,521
<i>Sales Growth</i> ²⁾	+5.4%	+2.2%	+7.4%	+8.5%	+3.9%	+7.9%	+3.7%
EBIT	435	358	416	319	391	382	376
EBIT Adjusted ³⁾	435	345	416	388	391	404	355
EBIT Margin ³⁾	12.2%	9.9%	12.1%	11.0%	11.0%	11.1%	10.1%

Automotive OEM

in EUR mn

	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18
Sales	2,308	2,220	2,138	2,325	2,279	2,308	2,191
<i>Sales Growth</i> ²⁾	+6.4%	+3.5%	+7.4%	+8.7%	+3.2%	+6.5%	+3.2%
EBIT	275	221	229	226	217	197	185
EBIT Adjusted ³⁾	275	208	229	261	217	207	172
EBIT Margin ³⁾	11.9%	9.4%	10.7%	11.2%	9.5%	9.0%	7.9%

1) Proforma figures

3) EBIT before special items

2) FX-adjusted

Automotive Aftermarket

in EUR mn

	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18
Sales	484	444	506	446	446	479	476
<i>Sales Growth</i> ²⁾	+9.7%	-7.3%	+4.7%	+6.3%	-4.4%	+12.3%	-3.0%
EBIT	93	68	117	55	80	96	83
EBIT Adjusted ³⁾	93	68	117	80	80	96	80
EBIT Margin ³⁾	19.2%	15.3%	23.1%	17.9%	17.9%	20.0%	16.8%

Industrial

in EUR mn

	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18
Sales	782	808	790	770	826	855	854
<i>Sales Growth</i> ²⁾	+0.2%	+4.5%	+9.2%	+9.0%	+10.8%	+9.3%	+9.4%
EBIT	67	69	70	38	94	89	108
EBIT Adjusted ³⁾	67	69	70	47	94	101	103
EBIT Margin ³⁾	8.6%	8.5%	8.9%	6.1%	11.4%	11.8%	12.1%