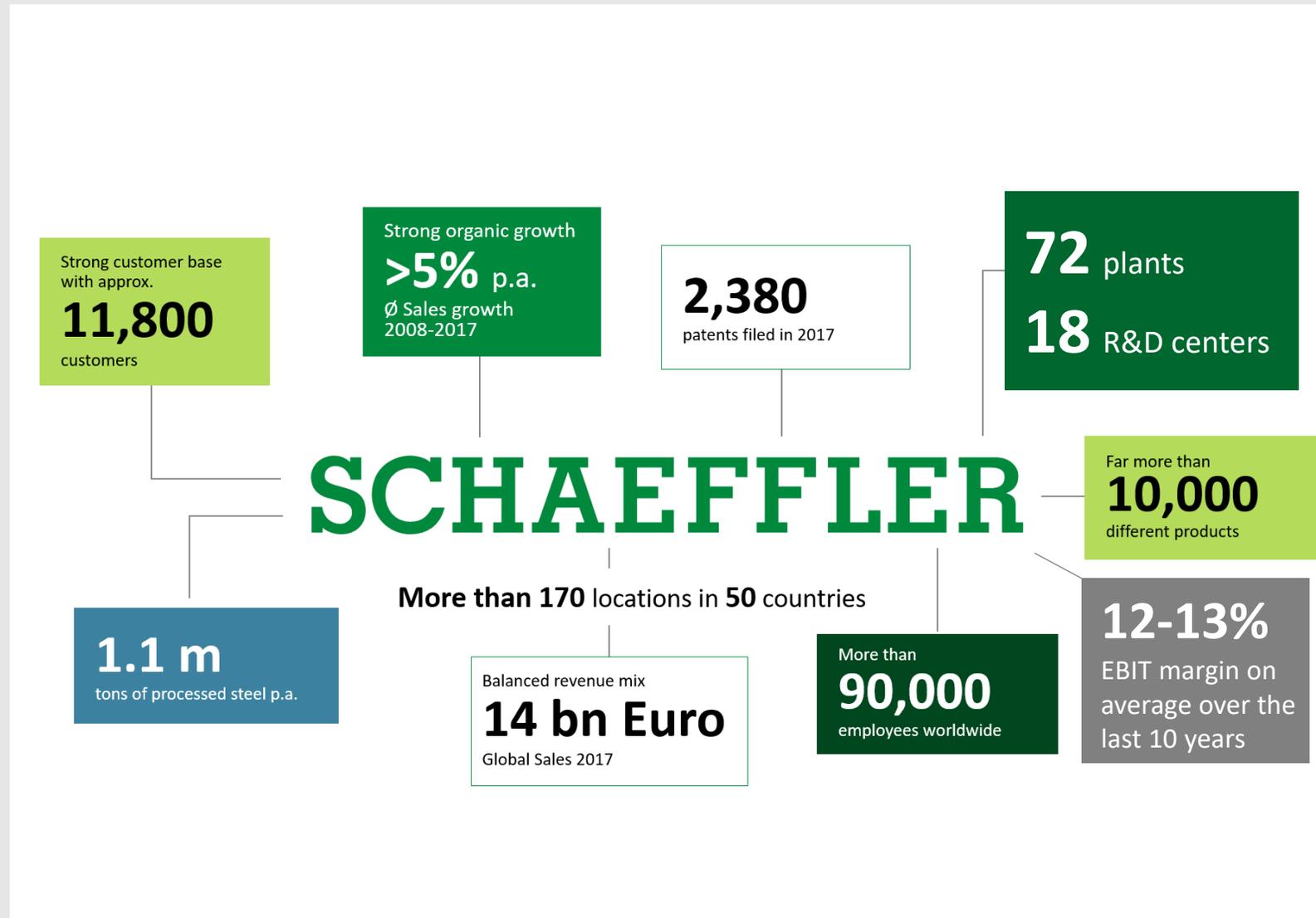




Executing our strategy
Schaeffler AG
Kepler German Corporate Conference

January 22, 2019
Frankfurt

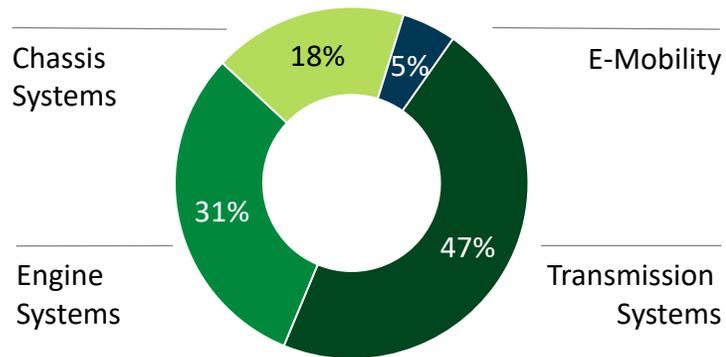
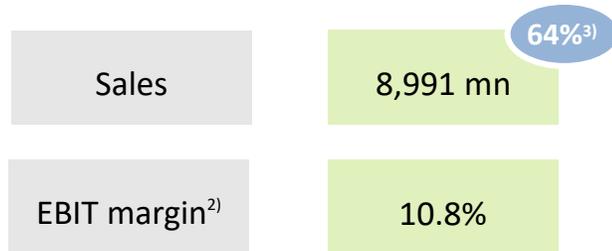
- 1** Schaeffler at a glance – 9M 2018 results and current market environment
- 2** Strategy “Mobility for tomorrow”
- 3** Excellence Program “Agenda 4 plus One”
- 4** Diversified business portfolio – Our three divisions
- 5** Long-term value creation
- 6** Summary and outlook



- ▶ 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

Schaeffler Group – Diversified business portfolio with three divisions

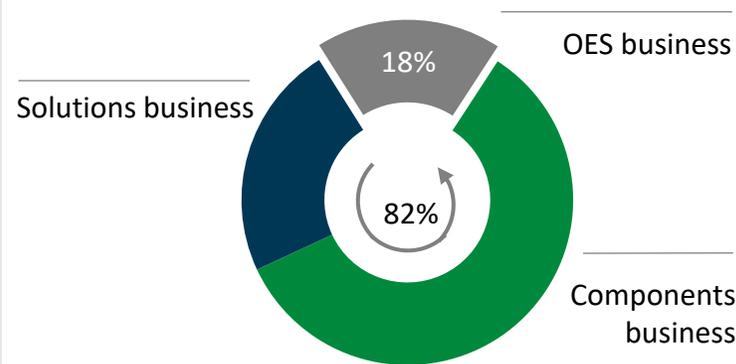
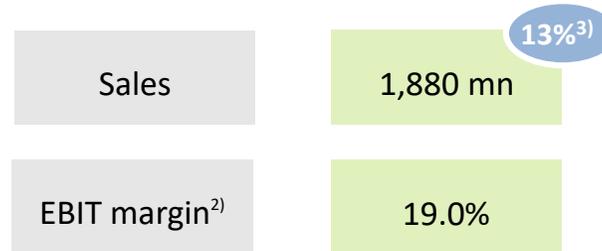
Automotive OEM



Based on 2017 Sales

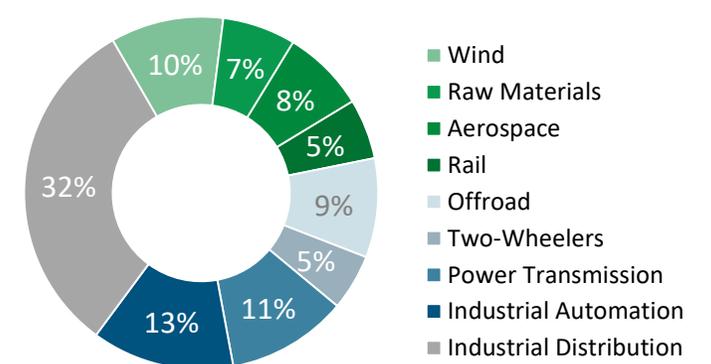
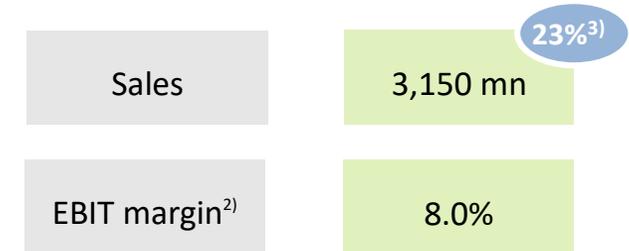
2) Based on EBIT Before special items FY 2017
3) in % of Group Sales 2017

Automotive Aftermarket



Based on 2017 Sales

Industrial



Based on 2017 Sales

Growth



Lower GDP-growth expected from 2019 onwards



Trade



Trade war between USA and China a serious threat



China



Slow down of economic growth in China

Macro-economic risks

External conditions became much more complex – Temporary „dip“ or downturn?

Industry-specific developments

Automotive



OEMs suffer from the new WLTP-cycle



Industrial



Slow down of industrial production expected from 2019 onwards



Capital Markets



Several guidance revisions in the automotive sector

Group	Q3 18	9M 18
Sales growth¹⁾ (in EUR mn and %)	3,521 +3.7%	10,714 +5.1%
EBIT margin²⁾ (in EUR mn and %)	355 10.1%	1,150 10.7%
Free Cash Flow³⁾ (in EUR mn)	201	127

Capex-to-sales ratio

7.4%

8.0%

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

Automotive OEM		Automotive AM		Industrial	
Q3	9M	Q3	9M	Q3	9M
2,191 +3.2%	6,778 +4.3%	476 -3.0%	1,401 +1.3%	854 +9.4%	2,535 +9.8%
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

Group Guidance

	Group
Sales growth¹⁾ (in %)	+4-5%
EBIT margin²⁾ (in %)	9.5-10.5%
Free Cash Flow³⁾ (in EUR mn)	EUR ~300 mn

Divisional Guidance

	Automotive OEM	Automotive AM	Industrial
Sales growth¹⁾ (in %)	+3.5-4.5%	+1.5-2.5%	+8-9%
EBIT margin²⁾ (in %)	8-8.5%	17-17.5%	10.5-11.0%

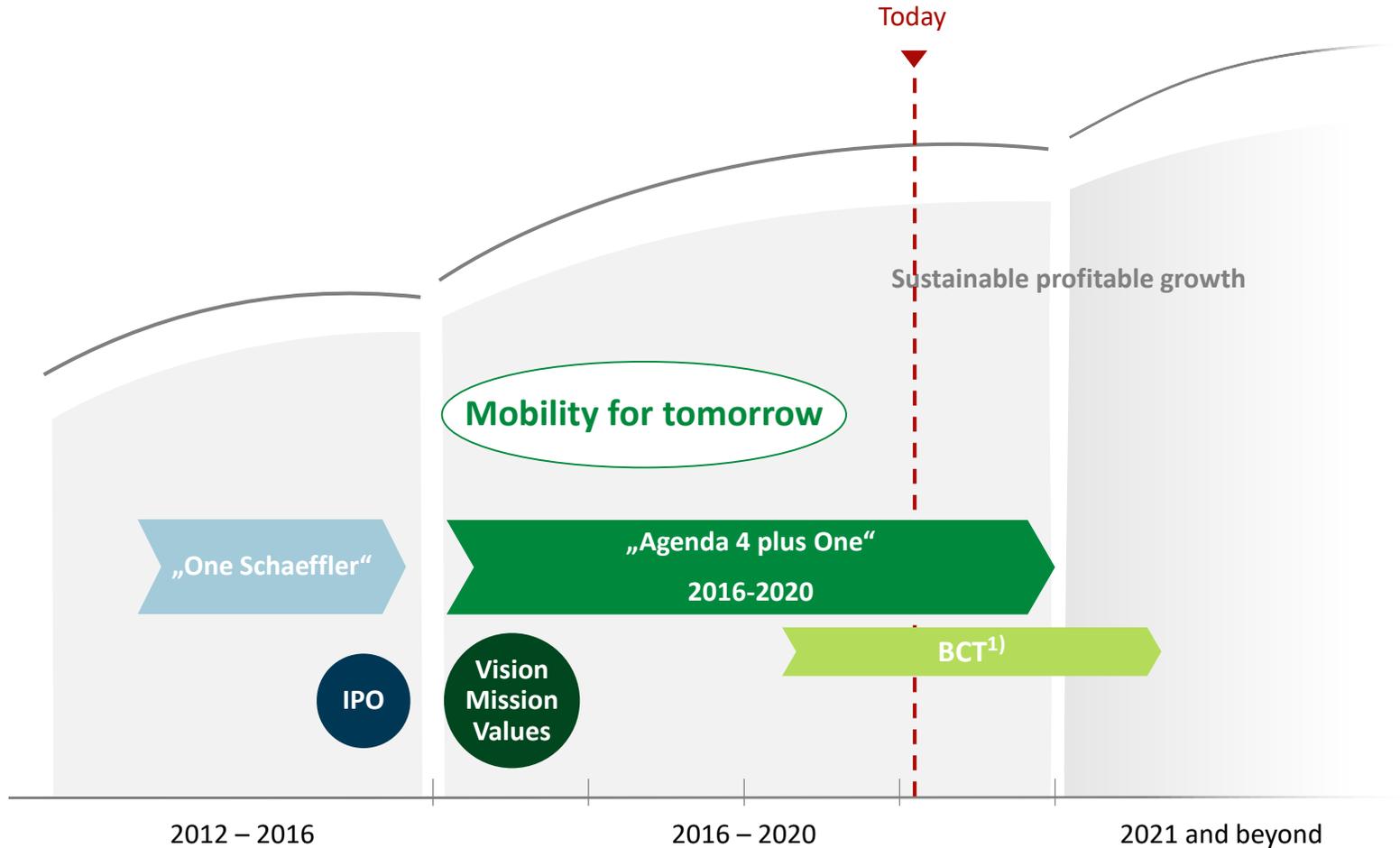
Market assumptions⁴⁾

- ▶ 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 October 30, 2018

Roadmap Schaeffler Group



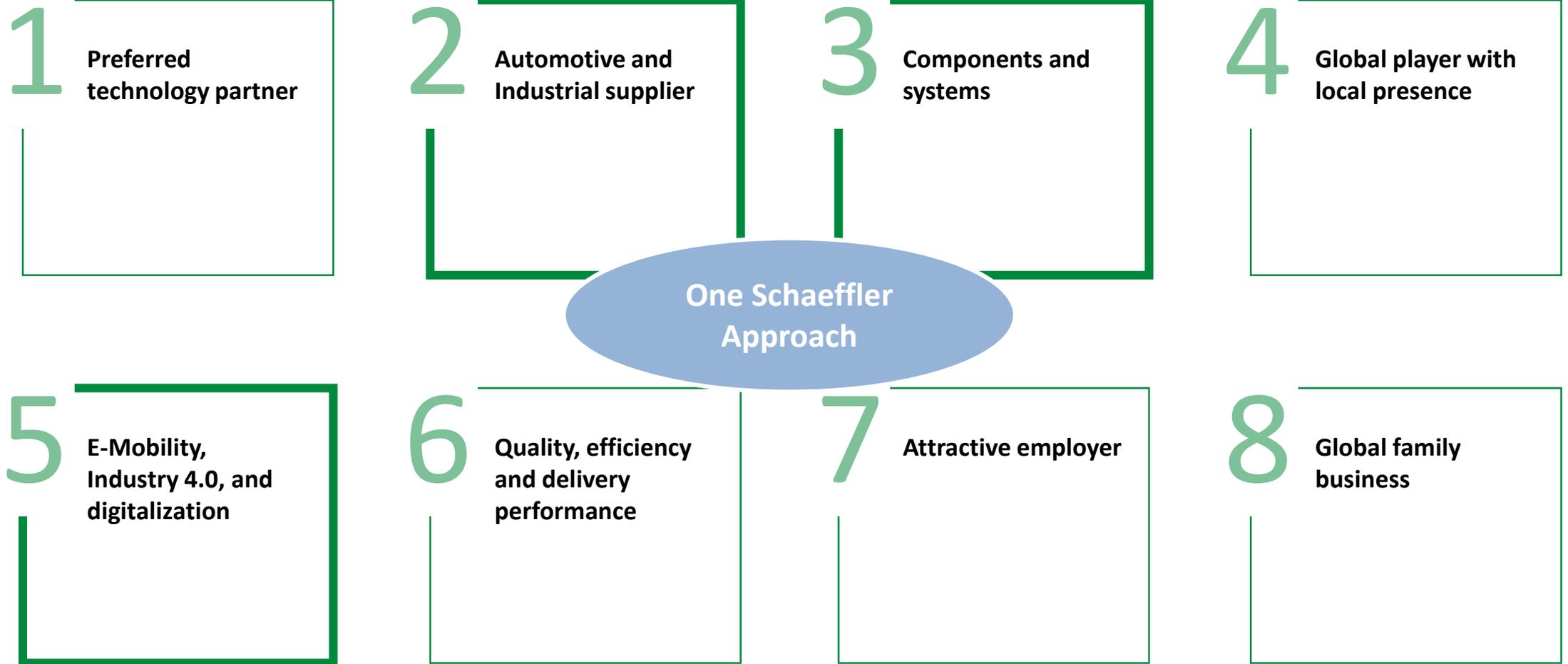
Key aspects

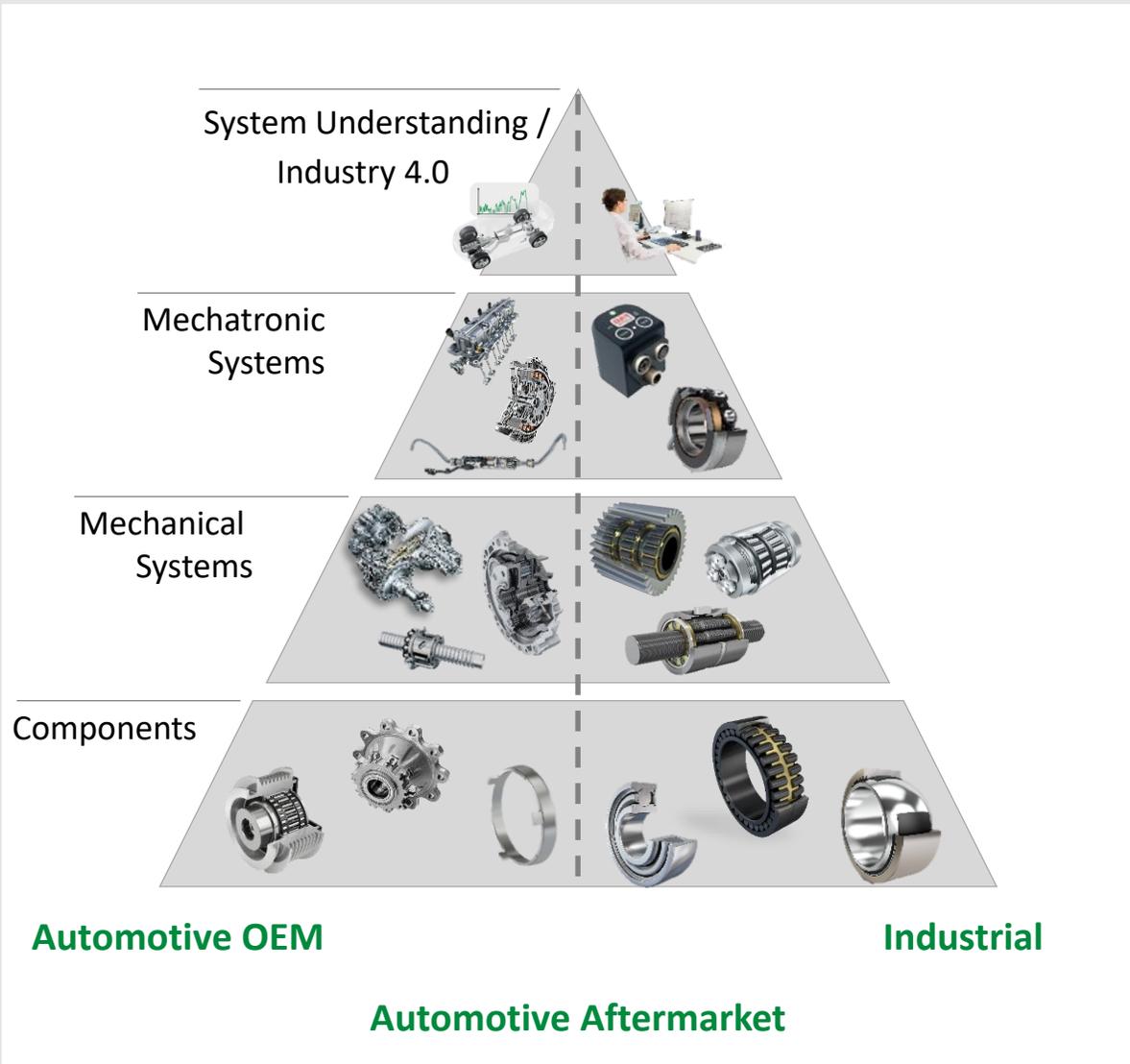
- ▶ Strategy „Mobility for tomorrow“ to position Schaeffler for key future trends
- ▶ Excellence program "Agenda 4 plus One" to make Schaeffler a better company
- ▶ 3 divisions to enhance transparency and accountability
- ▶ Rigorous execution of efficiency initiatives to achieve financial ambitions



1) Bearing & Components Technologies

Strategy "Mobility for tomorrow" – 8 strategic pillars



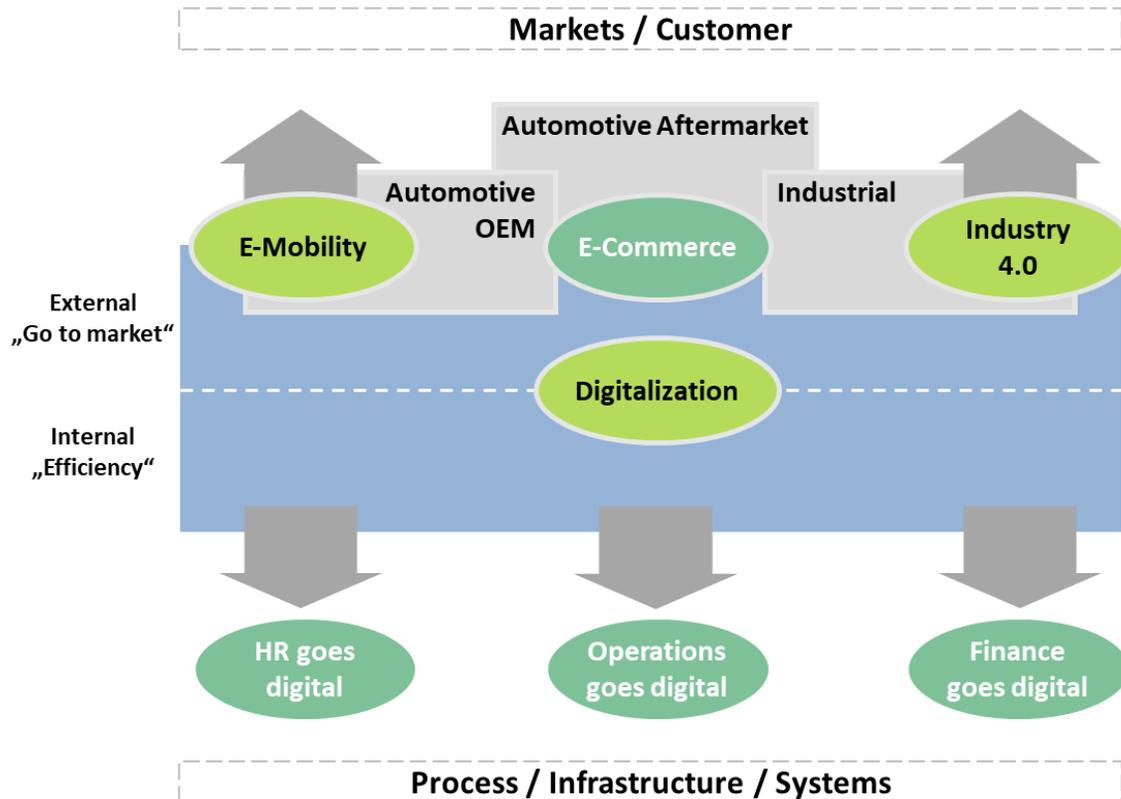


Key aspects

- ▶ 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

Business logic



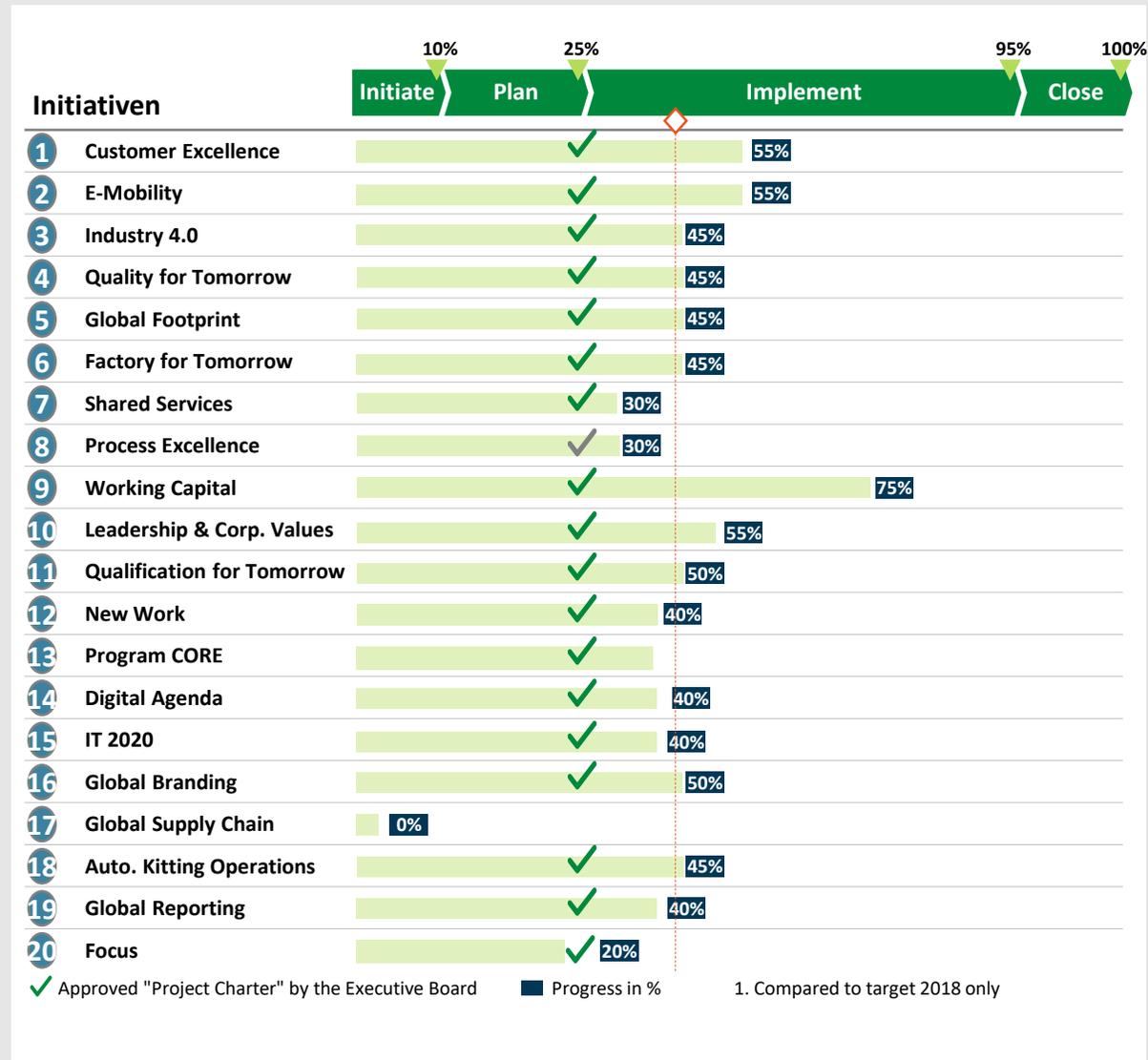
Key aspects

- ▶ E-Mobility, Industry 4.0 and Digitalization as key growth opportunities for the long-term future
- ▶ E-Mobility, Industry 4.0 and Digitalization are three key initiatives of our Agenda 4 plus One
- ▶ Digitalization relevant for external "Go to market", but in particular for optimizing our internal efficiency



Excellence Program
„Agenda 4 plus One“

Excellence program "Agenda 4 Plus One" – Making Schaeffler a better company

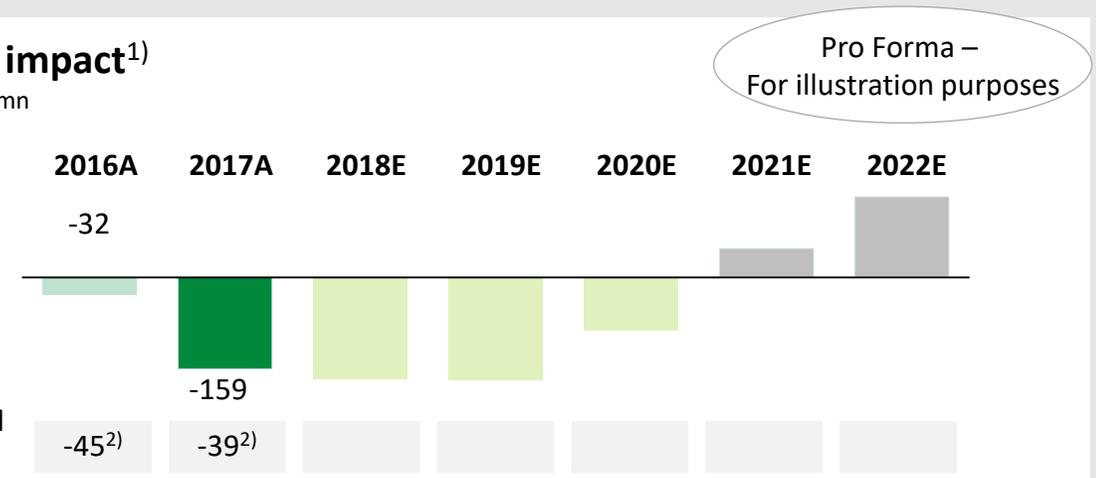


Key aspects

- ▶ Comprehensive program with 20 initiatives started in Q2 2016
- ▶ All initiatives in implementation, overall Completion ratio of 50% as of September 2018
- ▶ EUR 300 mn profitability improvement target until 2022 (improvement compared to FY 2017)

EBIT impact¹⁾

in EUR mn



Special items

in EUR mn

1) Before special items

2) Provision for CORE II of EUR 45m in 2016, provision for Shared Services provision of EUR 39m in 2017

Overview as discussed at September 2018 CMD

	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	to come	-	-	12/2021	Group	0%

1) HCO = Headcount

3) Best estimate for 2018

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

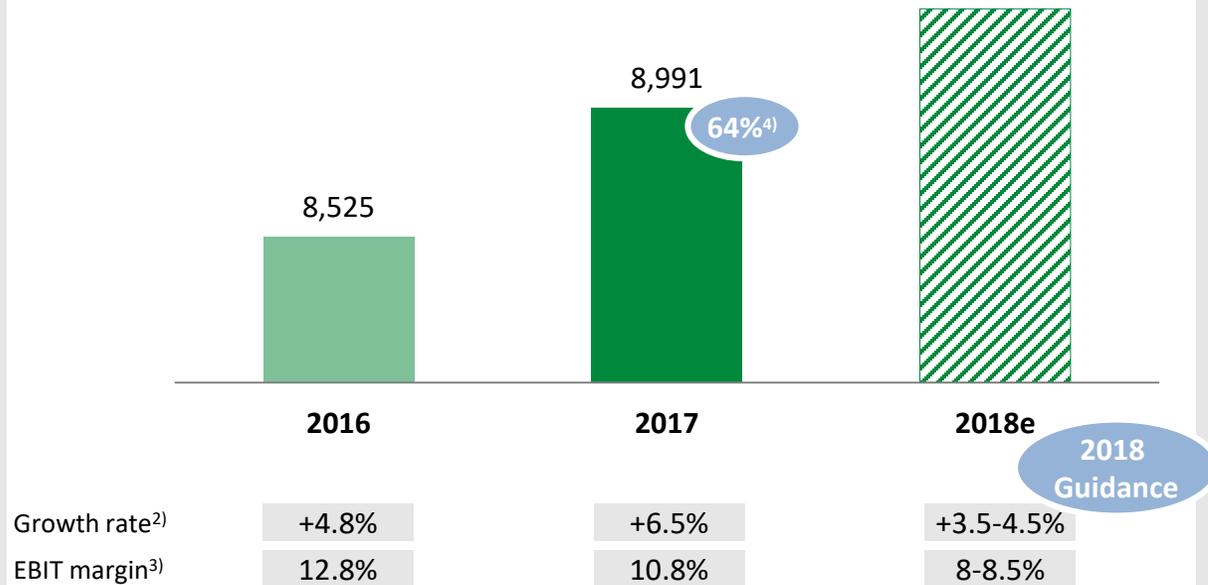
4) Focused on Trade Payables and Receivables

5) Focused on delivery performance and inventories

1 Automotive OEM – At a glance

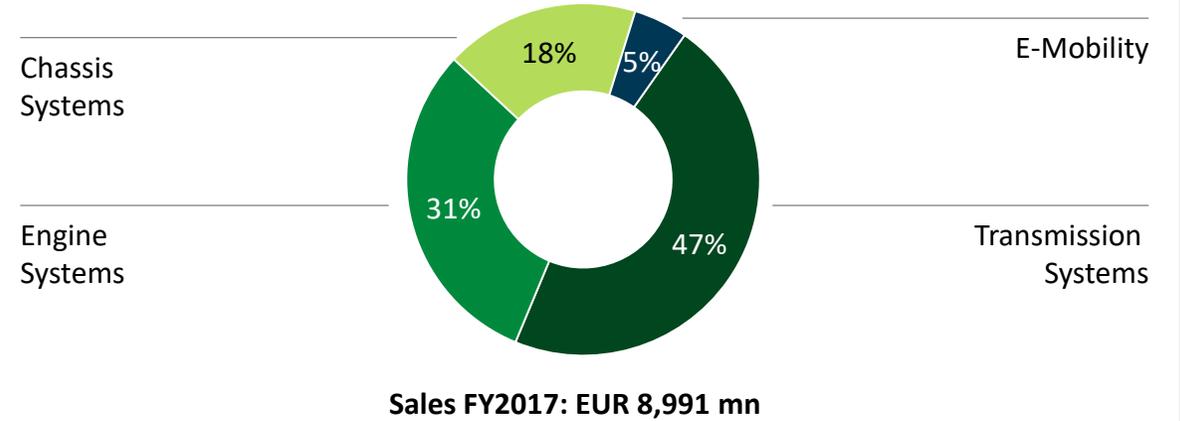
Sales and EBIT margin

in EUR mn



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

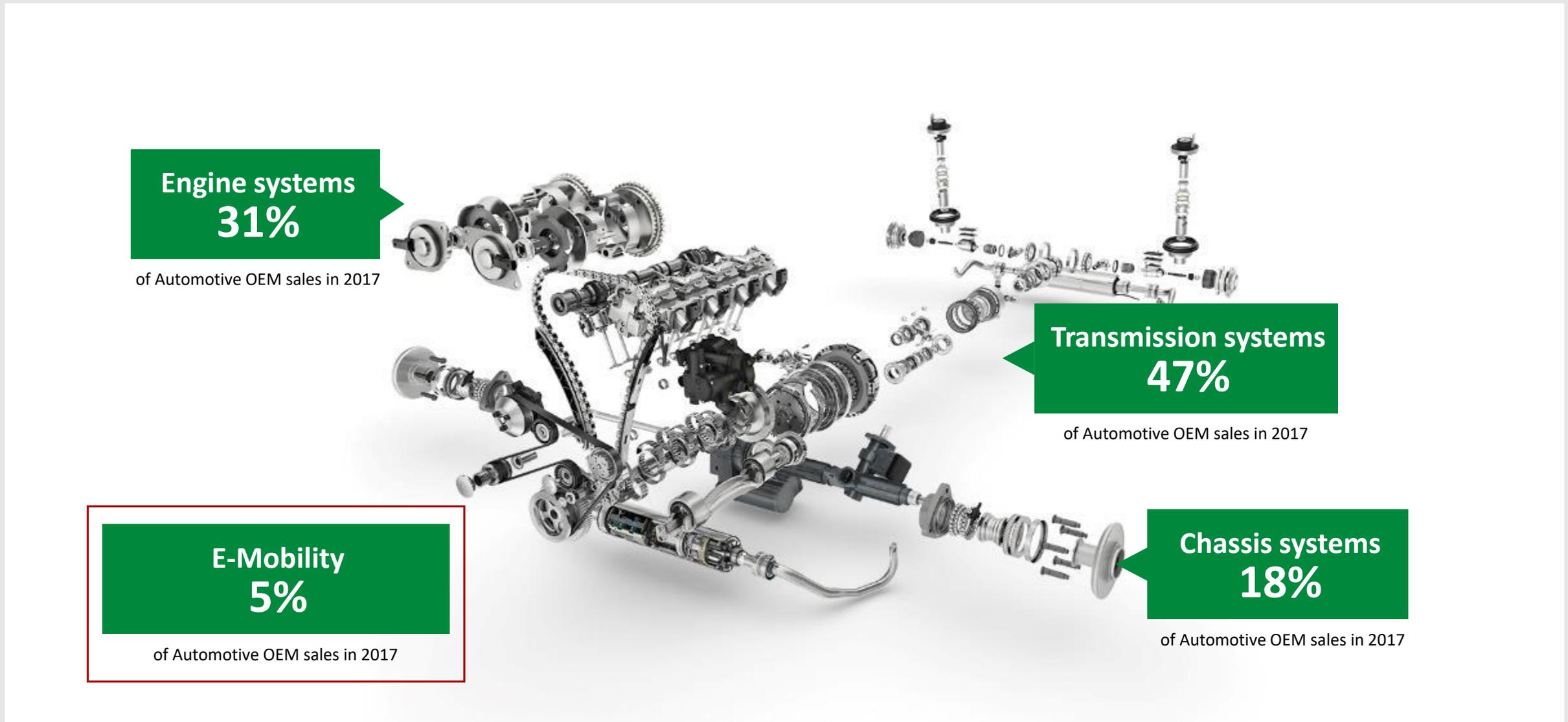
Sales by business division¹⁾



Sales split by customer mix



1 **Automotive OEM product portfolio – Broad drivetrain know-how**



Engine systems
31%

of Automotive OEM sales in 2017

Transmission systems
47%

of Automotive OEM sales in 2017

Chassis systems
18%

of Automotive OEM sales in 2017

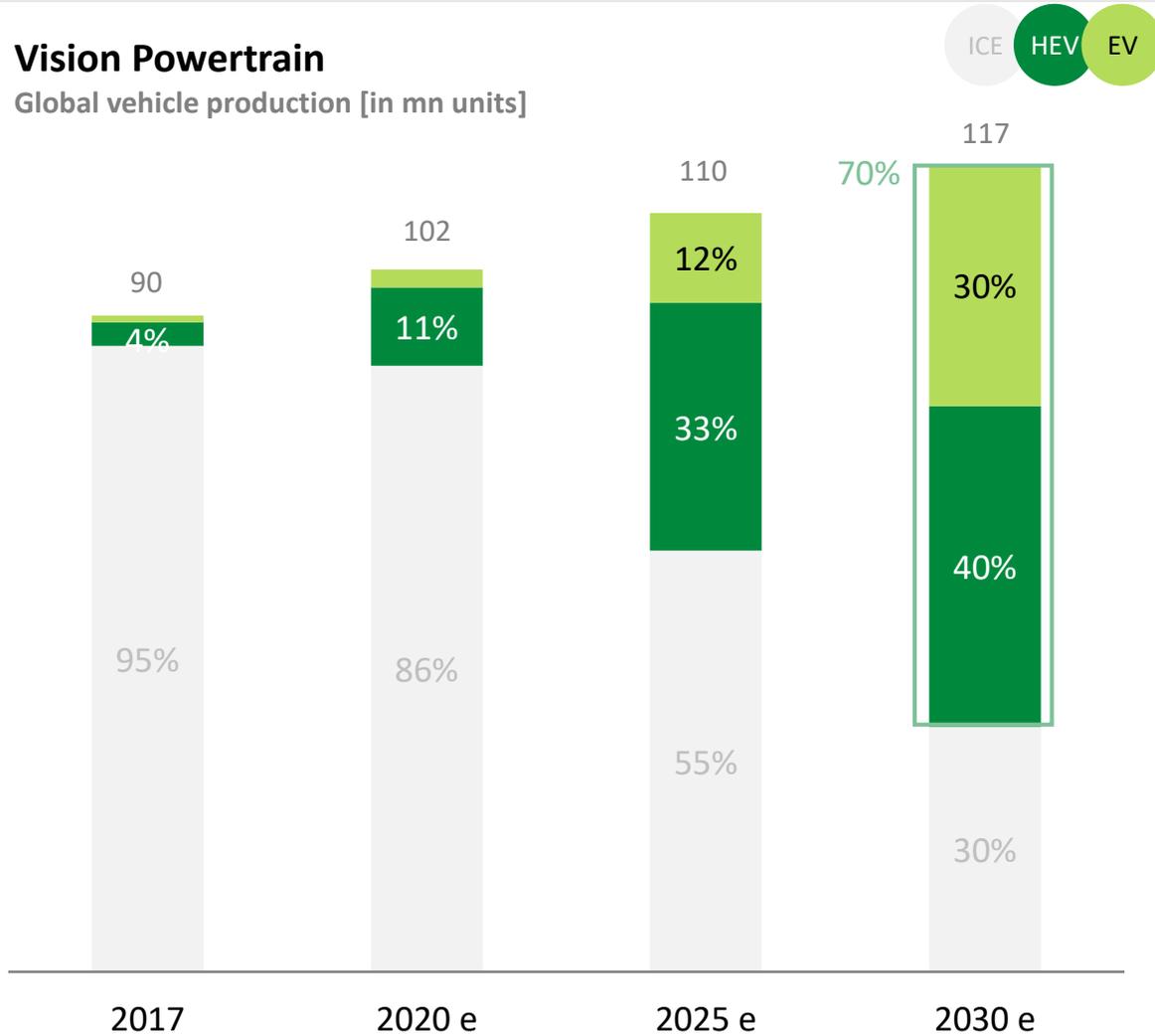
E-Mobility
5%

of Automotive OEM sales in 2017

1 **Mobility for Tomorrow – Our E-mobility Strategy**

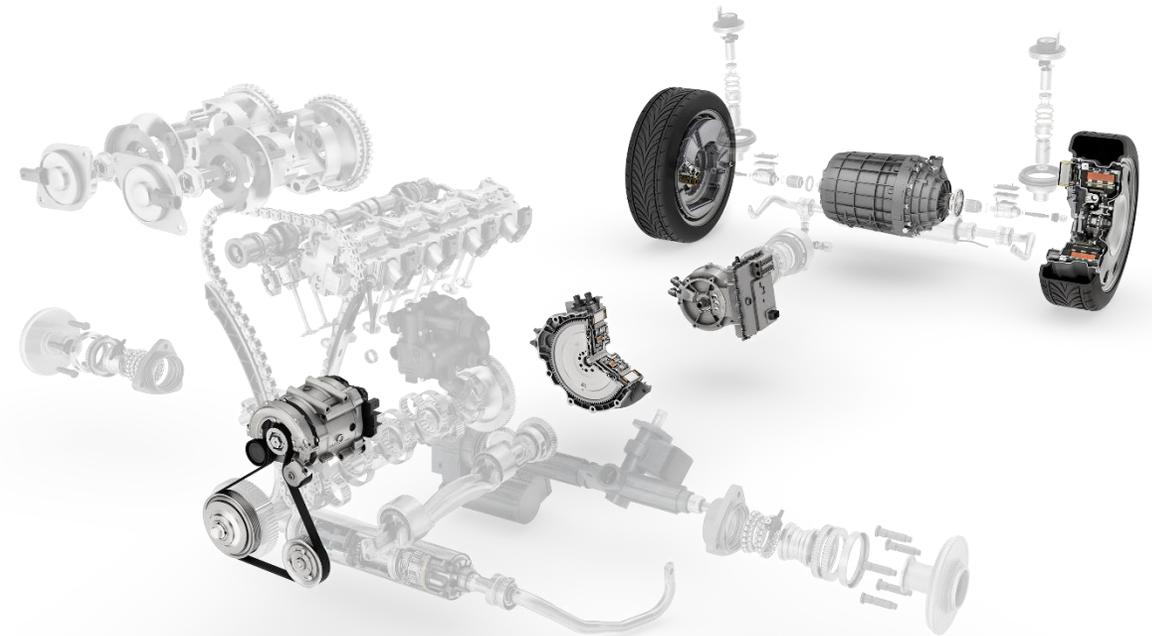
Vision Powertrain

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)

Electrified Drivetrain Portfolio



1 E-Mobility – Content per vehicle

SCHAEFFLER

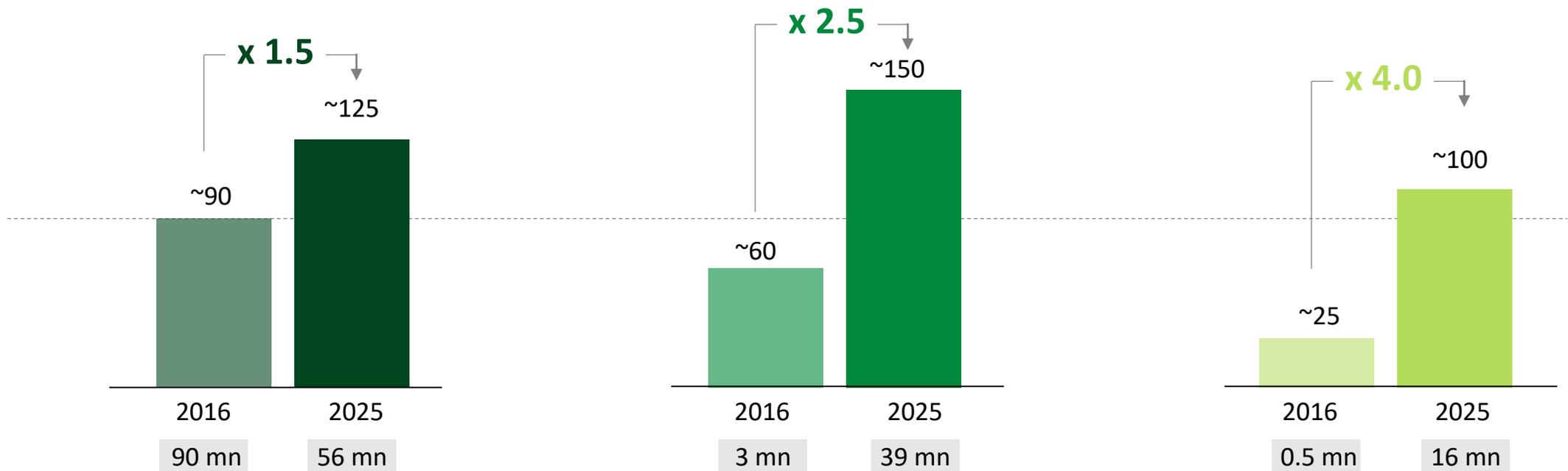
excl. Aftermarket, Heavy Duty & Motorcycles

Content per Vehicle ¹⁾
in EUR

1 ICE

2 HEV

3 BEV

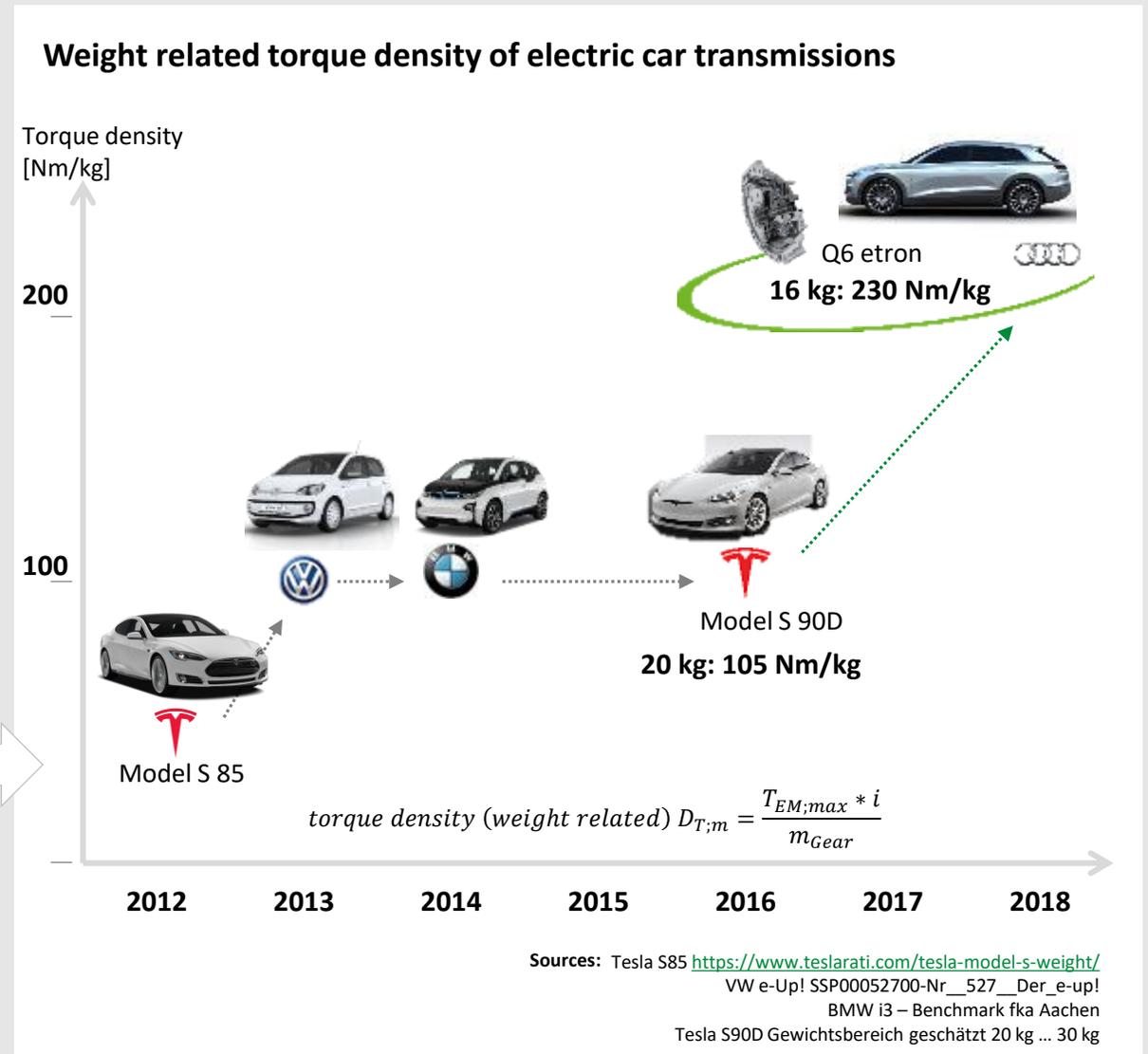


Average Content per Vehicle 2025
~EUR 130 ²⁾
~6% CAGR ³⁾

- 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%

1 Automotive OEM – Schaeffler e-Axle transmission is driving the brand new Audi eTron Quattro



1 P2 Hybrid Modules: Variants & Portfolio Roadmap

Generation 2

highly integrated Hybrid Modules for Mild-, Full- and Plugin Hybrid applications



integrated dry KO clutch



integrated wet KO clutch

in series production

Generation 3

integration of Start-up element to further reduce required design space and system costs



integrated Torque Converter

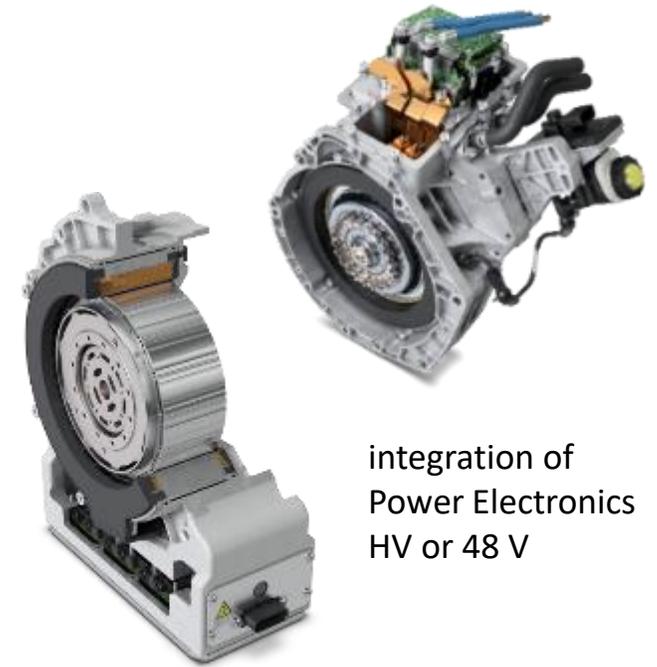


integrated Triple Clutch (3K)

SOP Q4/2018

Generation 4

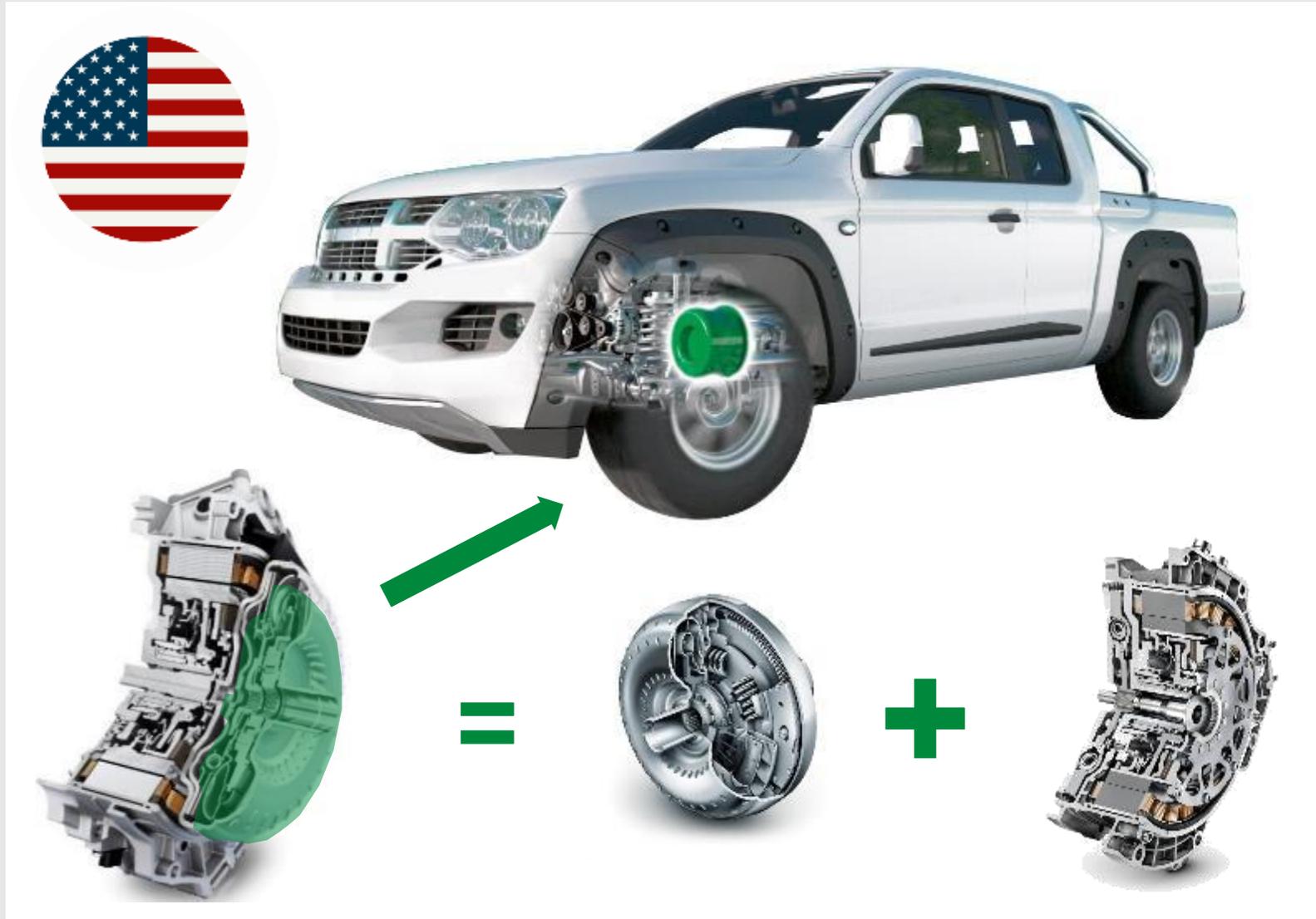
integration of power electronics to further reduce packaging requirements and costs



integration of Power Electronics HV or 48 V

Target SOP 2020/21

1 P2 High Voltage Hybrid Module with integrated torque inverter



Top facts of P2 HV Hybrid Module with integrated torque converter:

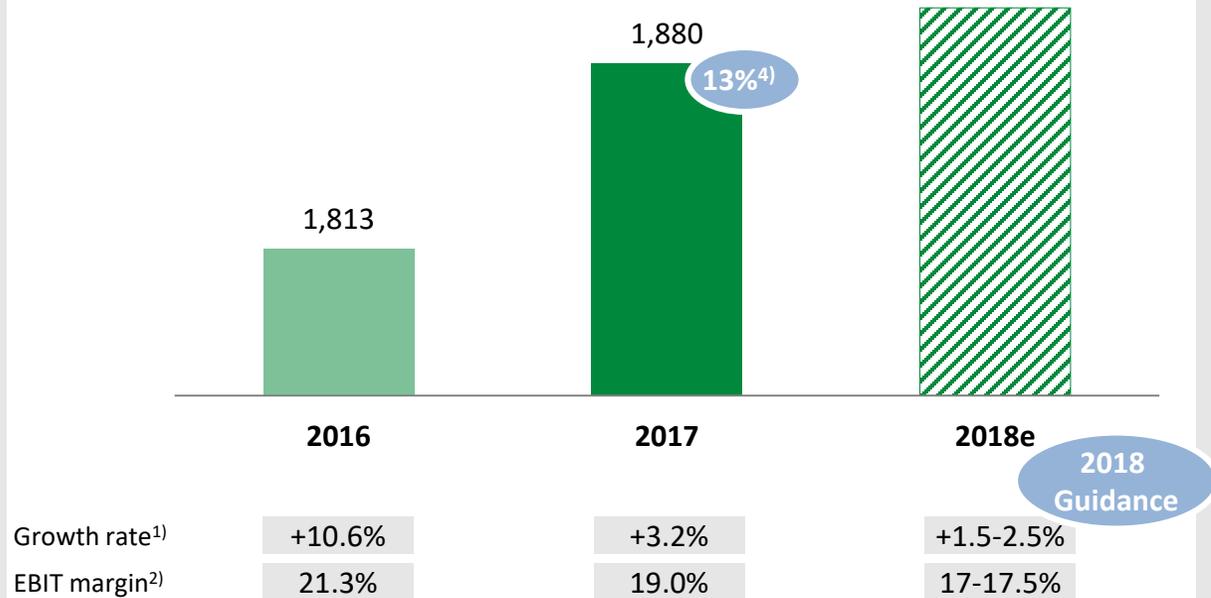
- High E-motor constant power up to 70 kW with active oil cooling at rotor and stator
- ICE torque up to 600 Nm; TC input to 700 Nm
- Compact design requires significantly less space than conventional P2 architecture
- Combined optimization of the damping system
- Available for the first time in 2020 in North America

Market specific solutions based on Schaeffler core Know-How in Transmission Systems

2 Automotive Aftermarket – At a glance

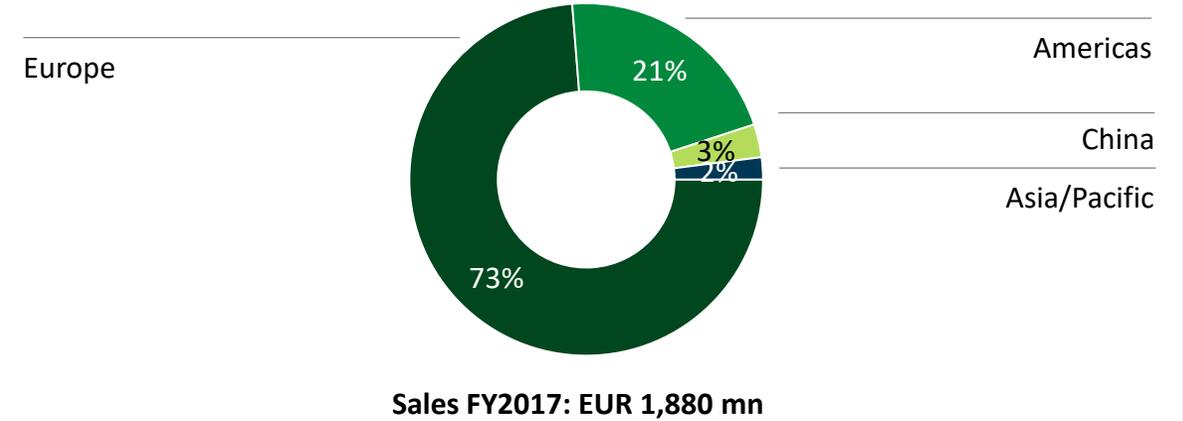
Sales and EBIT margin

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



2 Growth drivers in the Independent Aftermarket – Components and Solutions

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

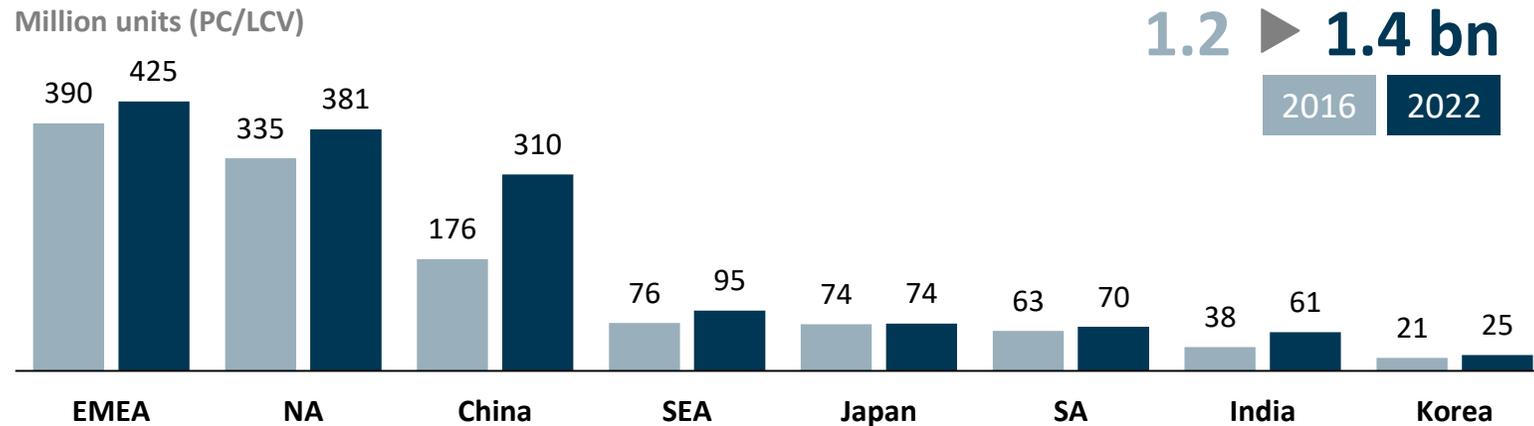


- ▶ Trends in OEM business fuel future Aftermarket potential
- ▶ Repair solutions will remain core growth driver going forward
- ▶ Additional aftermarket potential from intelligent repair solutions for E-axes and hybrid modules

2 Our markets continue to grow – China offering great long-term potential

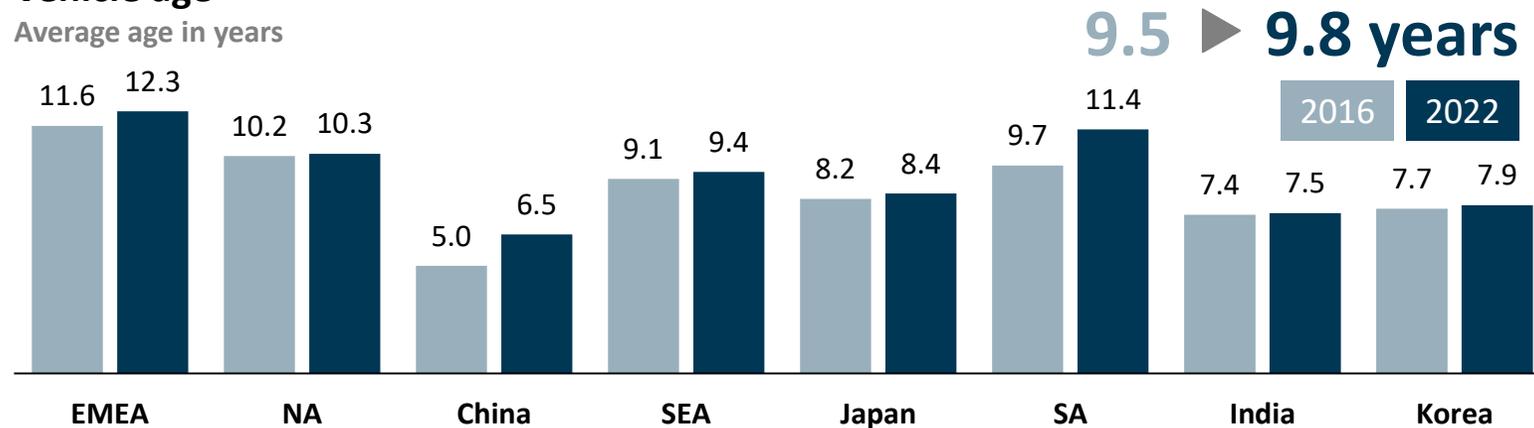
Vehicle population

Million units (PC/LCV)



Vehicle age

Average age in years



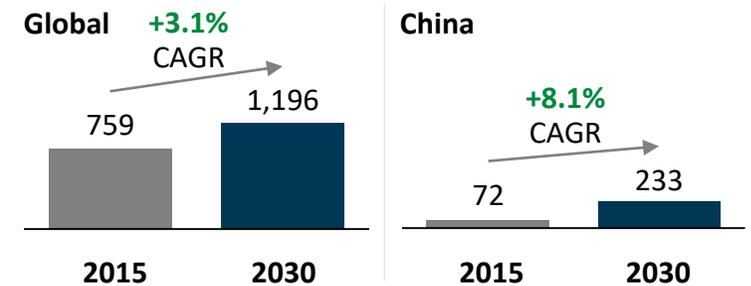
Source: IHS

Key growth drivers

- ▶ Global vehicle fleet will grow at 3.4% CAGR 2016-2020
- ▶ Vehicle age will continue to grow, especially in China & South America
- ▶ Total aftermarket revenues globally will grow from USD 759 bn to USD 1,196 bn (+3.1% CAGR 2015/2030)

Total aftermarket revenues

in USD bn

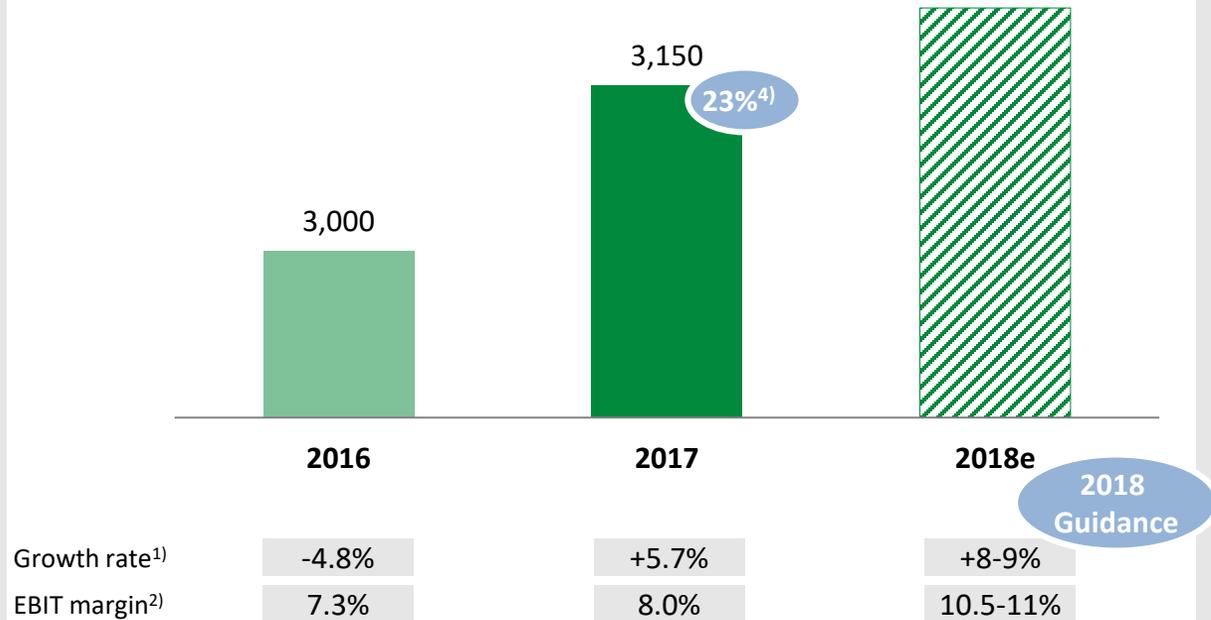


Source: McKinsey

3 Industrial – At a glance

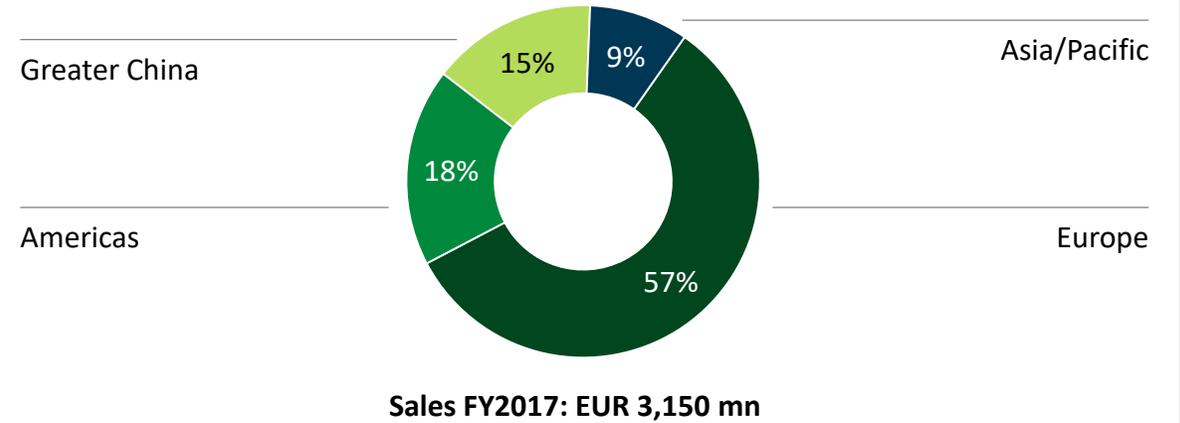
Sales and EBIT margin

in EUR mn

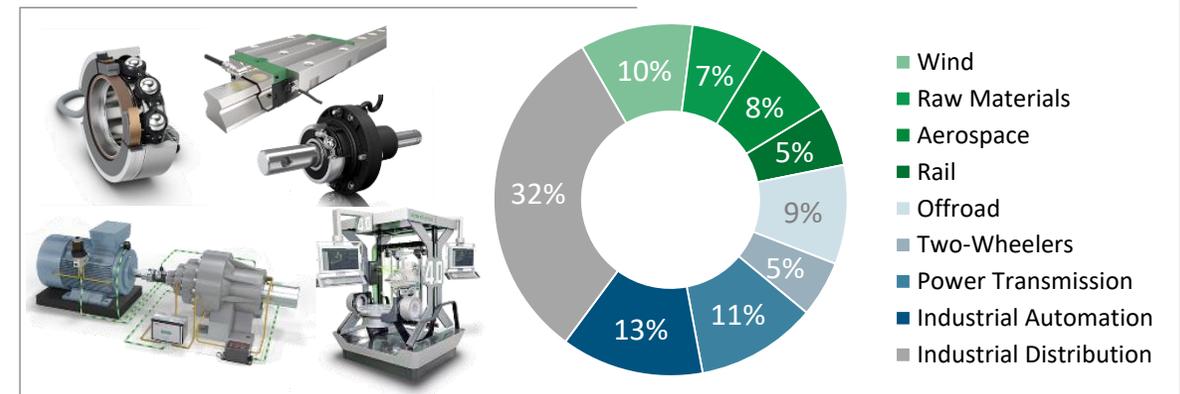


1) FX-adjusted
 2) Before special items
 3) FY 2017
 4) In % of Group Sales 2017

Sales by region³⁾



Industrial sales by sector cluster



3 Broad range of standard and customized products

Standard product business

Ball Bearings



Ball bearing (DGBB)

Cylindrical Roller Bearings



Cylindrical roller bearing (CRB)

Spherical Roller Bearings



Spherical roller bearing (SRB)

Tapered Roller Bearings



Tapered roller bearing (TRB)

Needle Roller Bearings



Needle roller bearing (NRB)

Linear Technology



Linear guides

Plain bearings



Plain bearing

Mechatronics



VarioSense and SmartCheck

Systems



Housing

SCHAEFFLER INDUSTRIAL



Cronitect-hybrid bearing – Bicycle



Heavy duty CRB – Construction Machine



Coated SRB – Windpower rotor bearing



Wheelset bearing – Highspeed trains



"Slimline" drawn cup NRB – Gearbox



Six-row linear recirculating ball bearing – Machine Tool



Spherical plain bearing with special coating - Marine



Sensorized rotary table bearing & sensorized linear guide RUE 4.0 – Machine Tool



Linear System – Industrial Automation

Customized product business

3 Business portfolio – From components to Industry 4.0

Portfolio

Industry 4.0 services



Mechatronics



Industry 4.0

Mechanical Systems



Components



Rotative Technology

Services

Linear Technology

Region



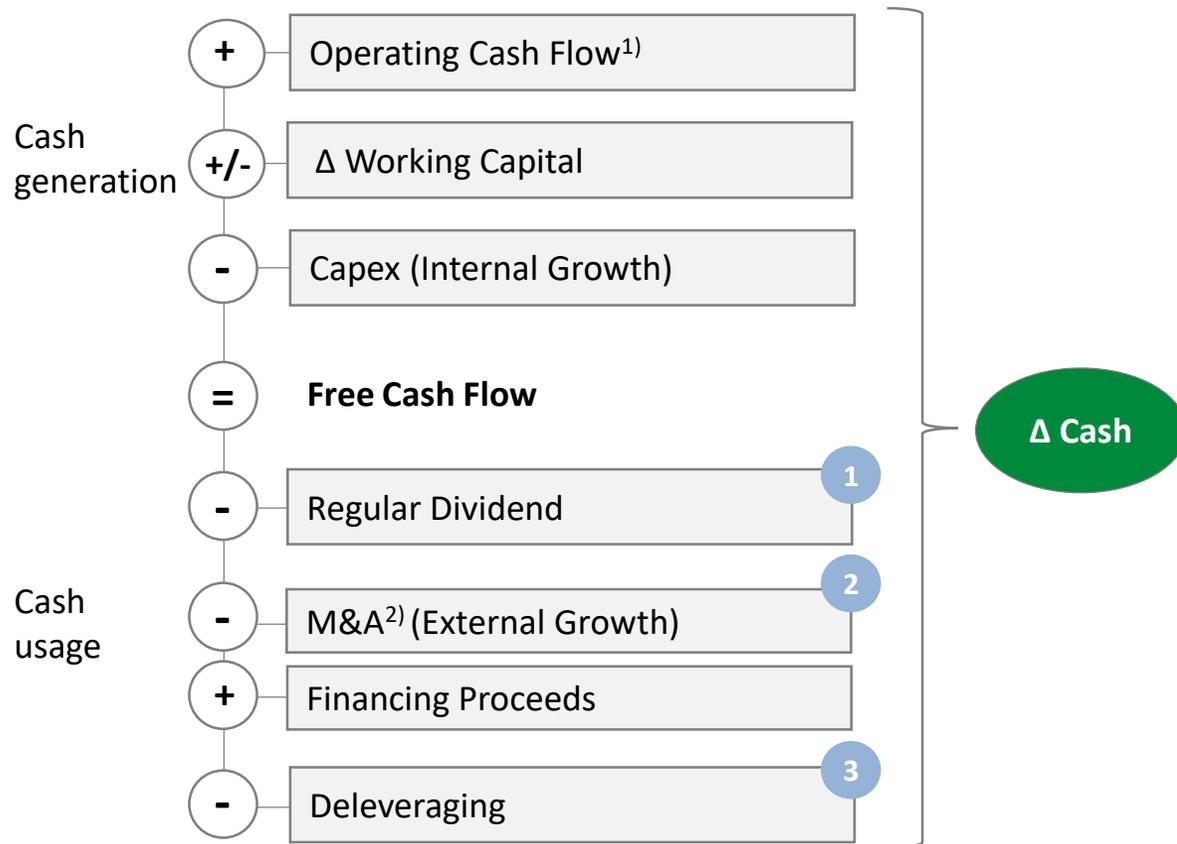
Sector split



Channel



Our Cash Flow formula



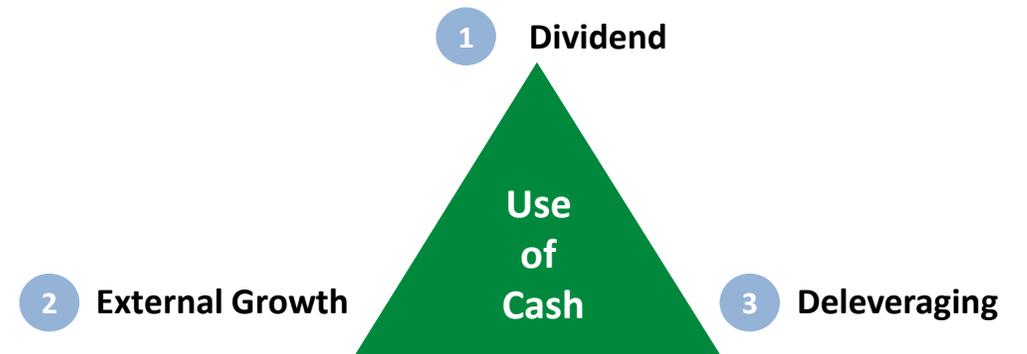
¹⁾ Before Δ Working Capital

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

³⁾ Adjusted for one-offs

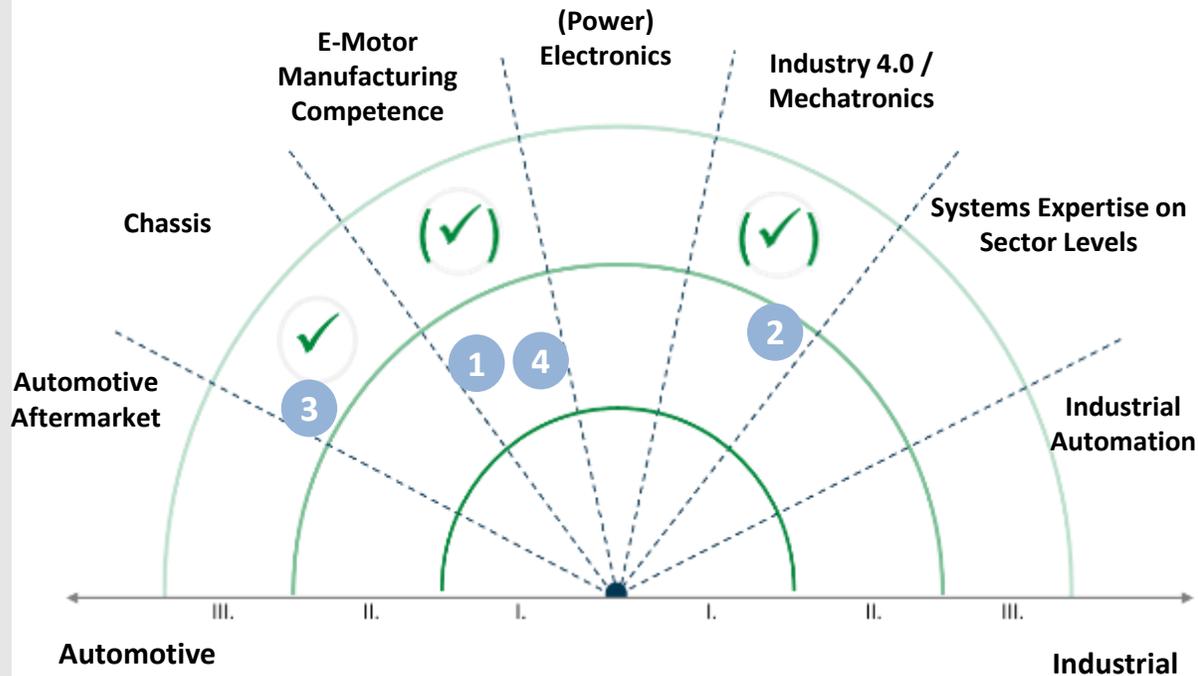
Key aspects

- ▶ 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

7 Search fields



M&A transactions announced until November 30:

<p>1 Compact Dynamics</p> <p>12/2016</p>	<p>2 autinity systems</p> <p>10/2017</p>	<p>3 PARAVAN</p> <p>8/2018</p>	<p>4 ELMOTEC STATOMAT</p> <p>11/2018</p>
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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

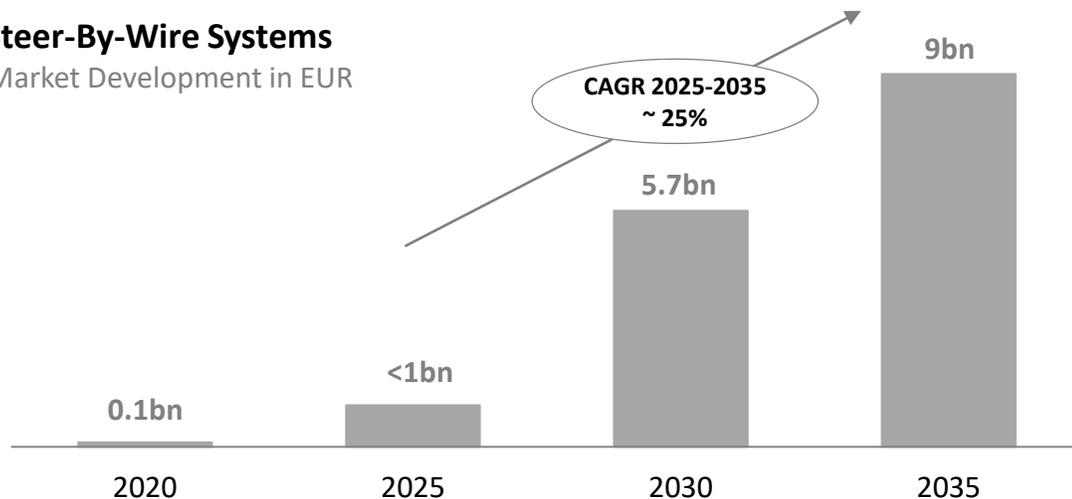
- Steer by wire is a key-enabling technology for the fast-growing market segment autonomous driving
- Paravan’s unique SPACE DRIVE technology is the only Steer-By-Wire System in the market which:
 - is road approved (> 500 Mio. Kilometers)
 - meets latest safety regulation standards
 - can operate also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

SpaceDrive enables save autonomous driving via its redundant structure



Steer-By-Wire Systems

Market Development in EUR



Acquisition – Key aspects

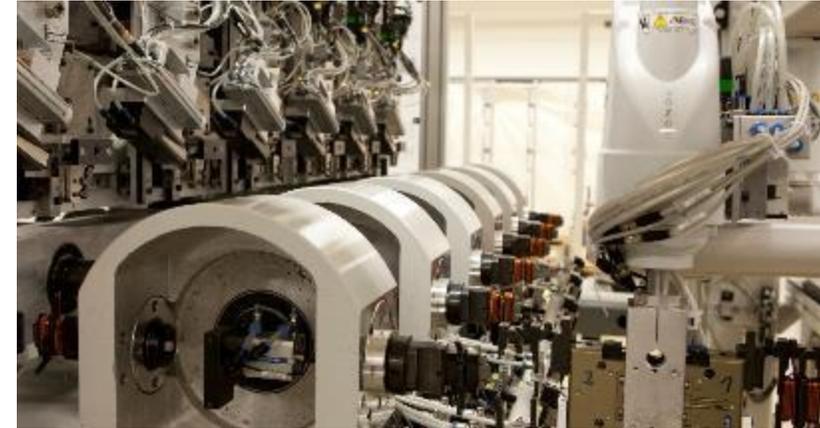
- Schaeffler acquires "Drive by wire"-technology from Paravan and its founder Roland Arnold
- Schaeffler establishes Joint Venture with Paravan founder (90%/ 10%) to develop and further industrialize the technology
- Acquired technology allows Schaeffler to enter the very attractive and fast-growing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

Elmotec Statomat acquisition – Another key step in our E-mobility strategy

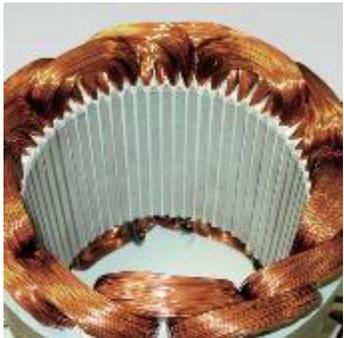
Elmotec Statomat – Key aspects

- 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 winding

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

Elmotec Statomat acquisition – Closing the technology gap for mass production

Stator Manufacturing Processes*

ELMOTEC STATOMAT

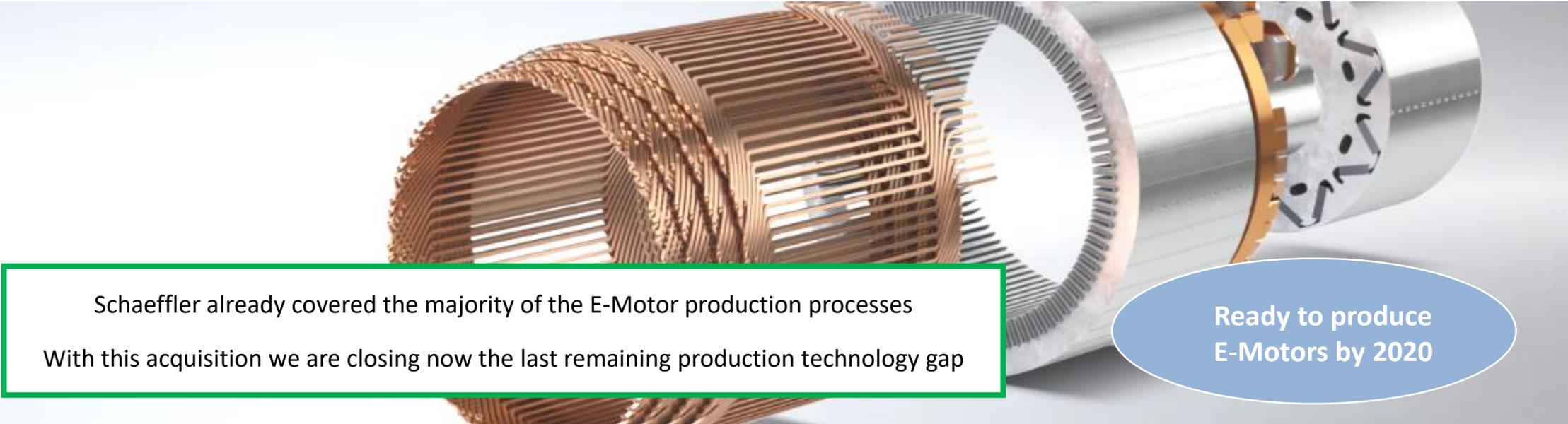


Rotor Manufacturing Processes*



- in series production at Schaeffler today
- prototyping machines available at Schaeffler
- ext. supplier technology as of today
- Production Technology Elmotec Statomat

SCHAEFFLER E-Motor with wave-winding technology



Schaeffler already covered the majority of the E-Motor production processes
 With this acquisition we are closing now the last remaining production technology gap

Ready to produce E-Motors by 2020

Key messages

1 FY 2018 guidance confirmed despite increasingly challenging and complex environment

2 We are executing on our strategy – “Agenda 4 plus One” excellence program drives our transformation, well on track

3 Diversified business portfolio with focus on future drivers – E-mobility, Industry 4.0 and regional expansion in Automotive Aftermarket

4 Value creation – 30-40% dividend payout policy unchanged, more selective CapEx allocation, diligent execution of compelling M&A strategy

5 Currently working on a comprehensive plan to enhance our long-term competitiveness in Automotive OEM, while preserving our flexibility

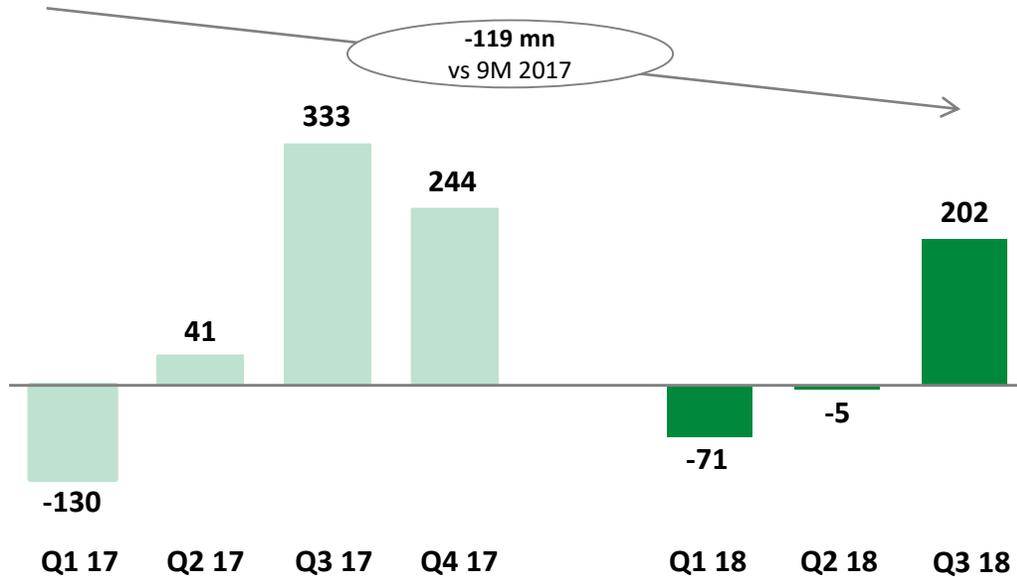
6 FY 2019 guidance and revised 2020 Financial Targets will be communicated on March 6th

**Adapting execution
to a more complex
market environment**

SCHAEFFLER

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

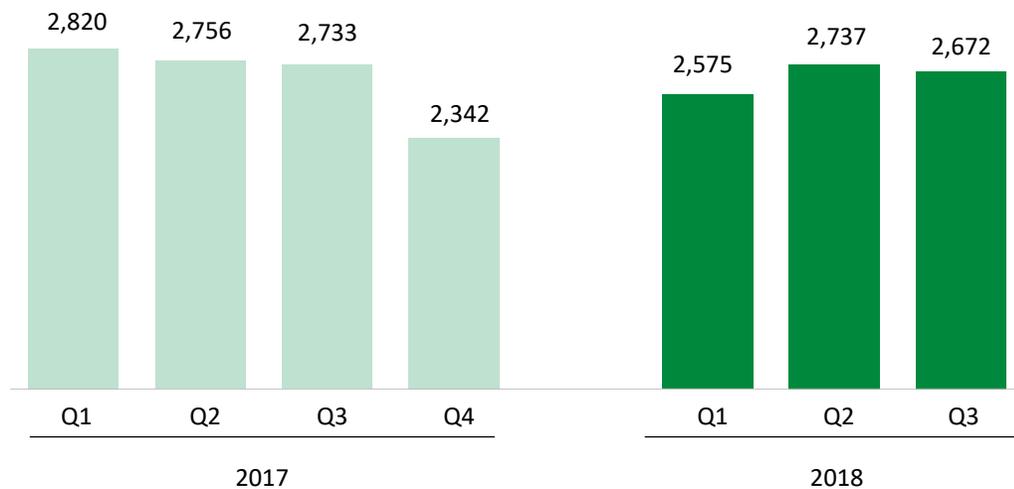
in EUR mn

	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)

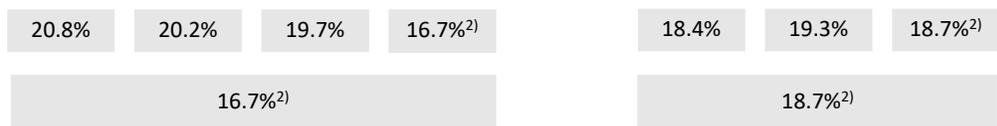
Working Capital ratio 18.7% of sales – Capex ratio 7.4% of sales in Q3

Working capital¹⁾

in EUR mn



In % of sales (LTM)

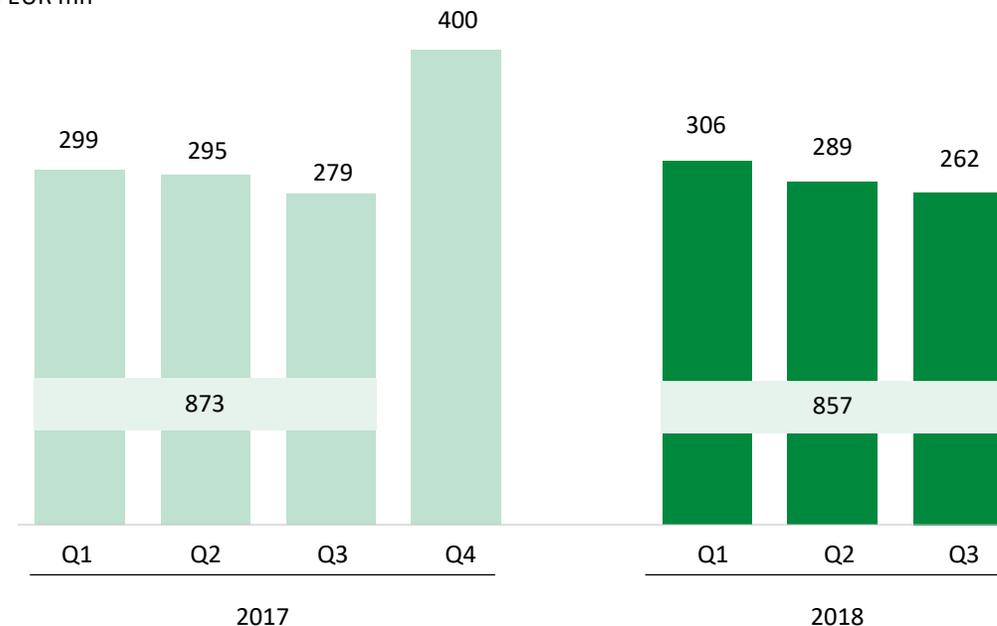


1) According to balance sheet; figures as per the end of period

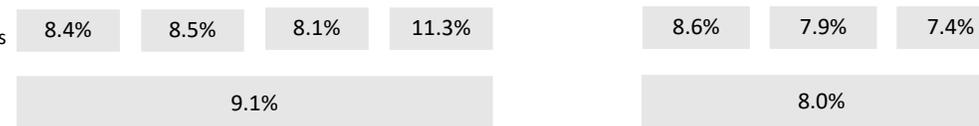
2) At September 30, 2018, trade receivables with a carrying amount of EUR 168 mn (December 31, 2017: EUR 123 mn) net of retained default risks had been sold under the ABCP program

Capex²⁾

in EUR mn



In % of sales



2) Cash view

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 FY 2017

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%