



Schaeffler AG

Deutsche Bank
dbAccess IAA Cars Conference

September 12, 2017

This presentation contains forward-looking statements. The words "anticipate", "assume", "believe", "estimate", "expect", "intend", "may", "plan", "project", "should" and similar expressions are used to identify forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about Schaeffler Group's beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Schaeffler AG. Forward-looking statements therefore speak only as of the date they are made, and Schaeffler Group undertakes no obligation to update any of them in light of new information or future events.

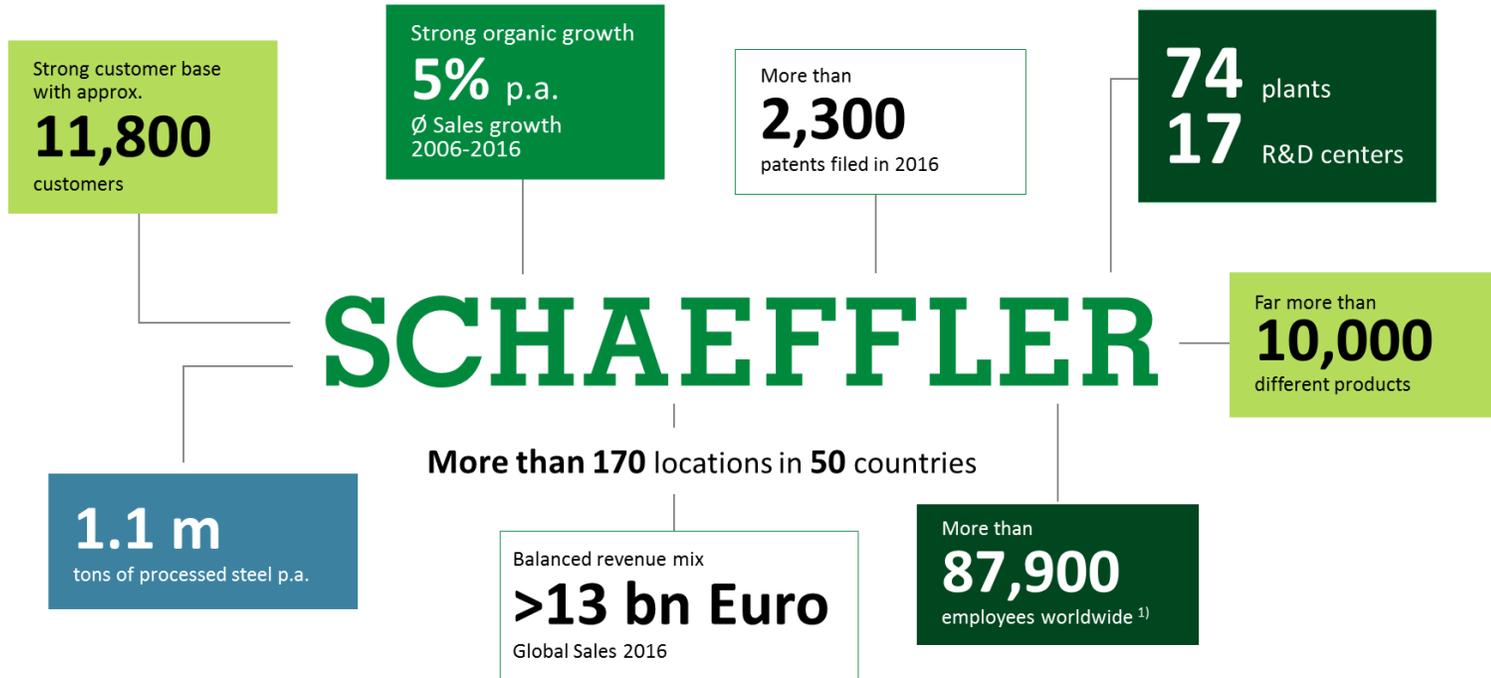
By their very nature, forward-looking statements involve risks and uncertainties. These statements are based on Schaeffler AG management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, but not limited to, future global economic conditions, changed market conditions affecting the automotive industry, intense competition in the markets in which we operate and costs of compliance with applicable laws, regulations and standards, diverse political, legal, economic and other conditions affecting our markets, and other factors beyond our control).

This presentation is intended to provide a general overview of Schaeffler Group's business and does not purport to deal with all aspects and details regarding Schaeffler Group. Accordingly, neither Schaeffler Group nor any of its directors, officers, employees or advisers nor any other person makes any representation or warranty, express or implied, as to, and accordingly no reliance should be placed on, the accuracy or completeness of the information contained in the presentation or of the views given or implied. Neither Schaeffler Group nor any of its directors, officers, employees or advisers nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this information or its contents or otherwise arising in connection therewith.

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

- 1 Introduction
- 2 Our strategy "Mobility for tomorrow"
- 3 Our key business opportunities
- 4 Our Equity story
- 5 Outlook

Schaeffler at a glance – A global automotive and industrial supplier



¹⁾ As of June 30, 2017

- ▶ Global Automotive and Industrial supplier of high-precision components and systems
- ▶ Quality, technology and innovation as key success factors
- ▶ Well defined strategy 'Mobility for Tomorrow' with 4 focus areas and 8 strategic pillars
- ▶ Above average growth and profitability with global sales of more than EUR 13 bn in 2016
- ▶ Global footprint with 74 plants and 17 R&D centers

Schaeffler IAA booth 2017



2 focus areas

1 Eco-friendly drives

- ▶ Variety of powertrain solutions focusing on optimization of the combustion engine and E-Mobility
- ▶ Glass car model displaying our current product portfolio including components and systems for electric and hybrid drives

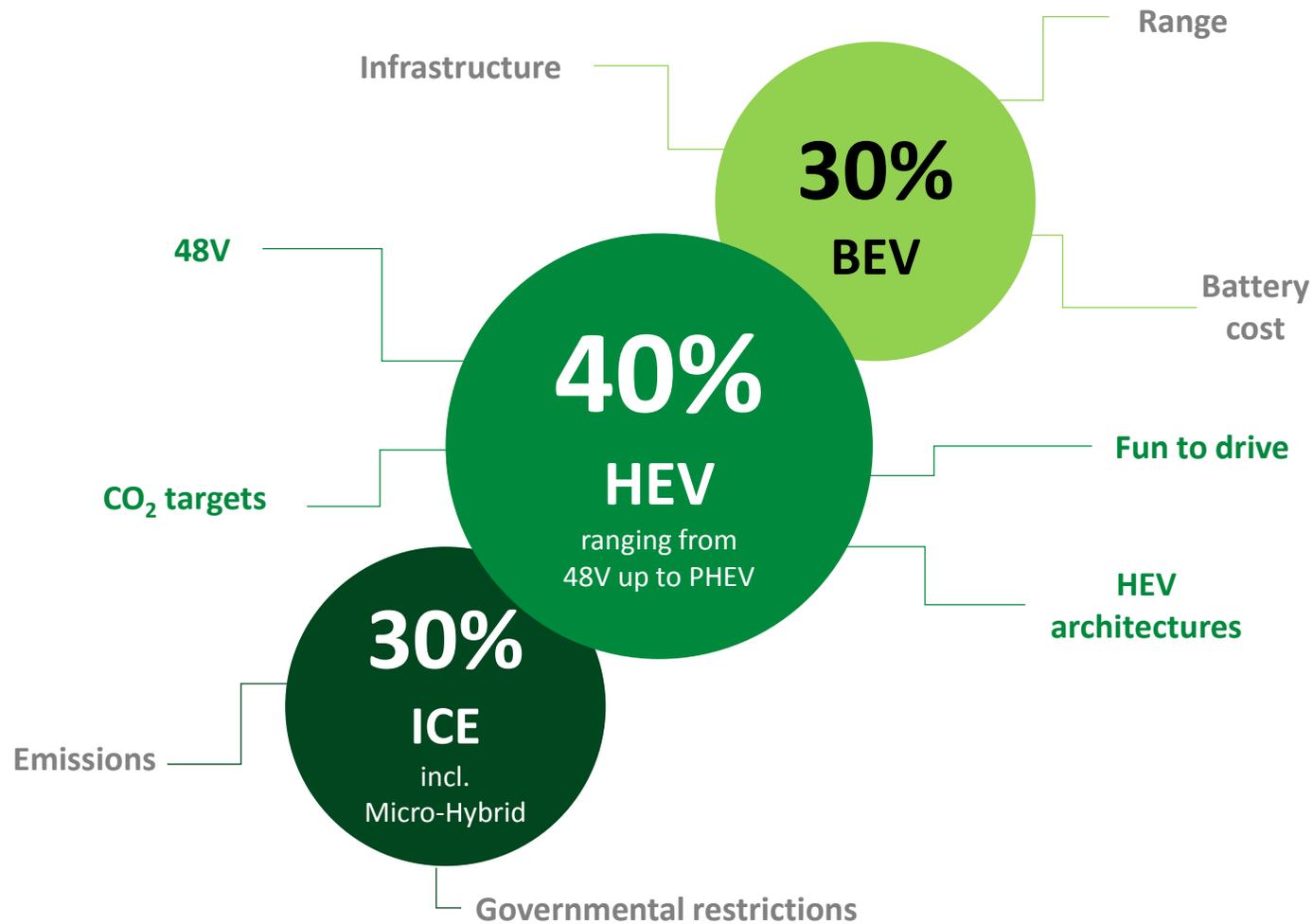


2 Energy Chain

- ▶ CO2 efficiency of powertrain solution dependent on electricity mix
- ▶ Large size wind bearing representing Schaeffler competence in renewable energies

"Well to wheel"

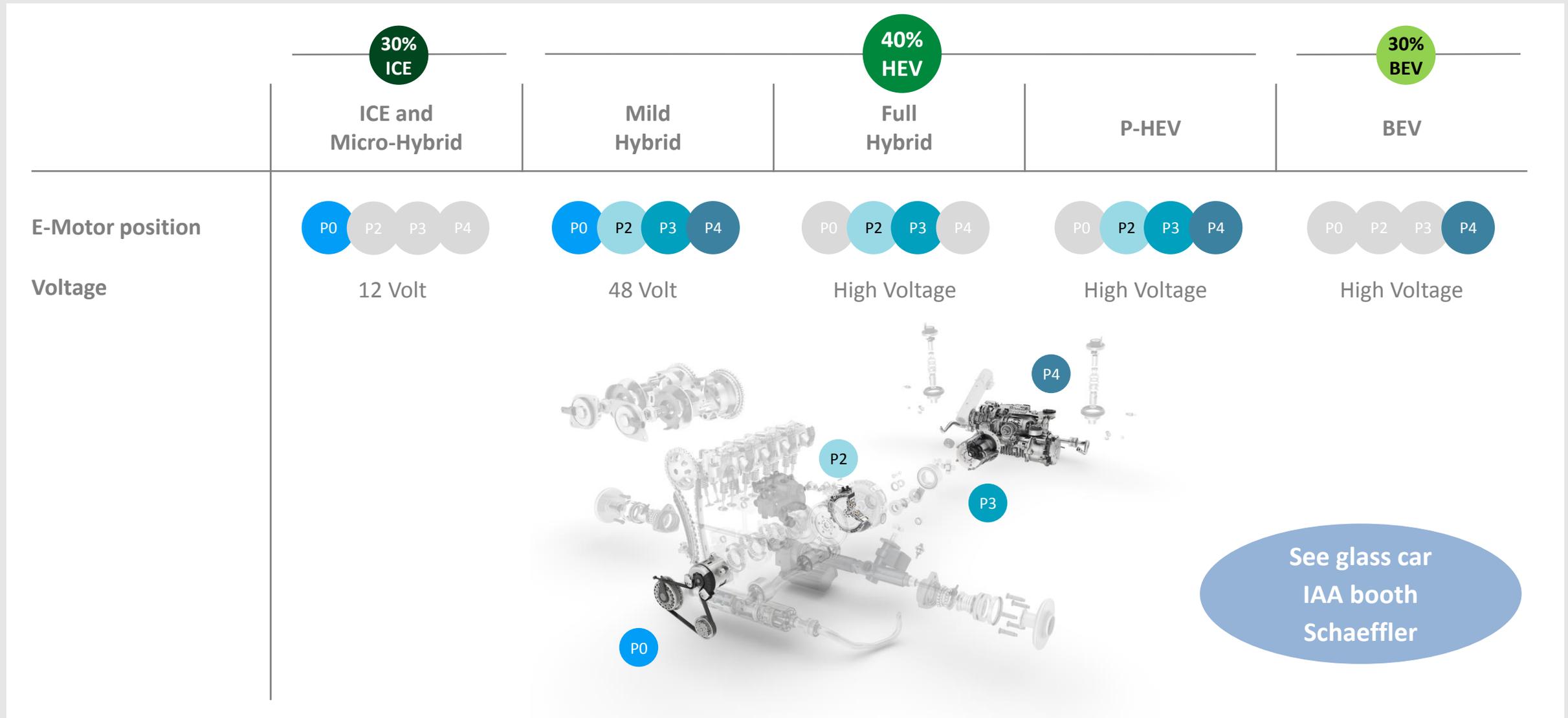
Accelerated Scenario 2030



Key aspects

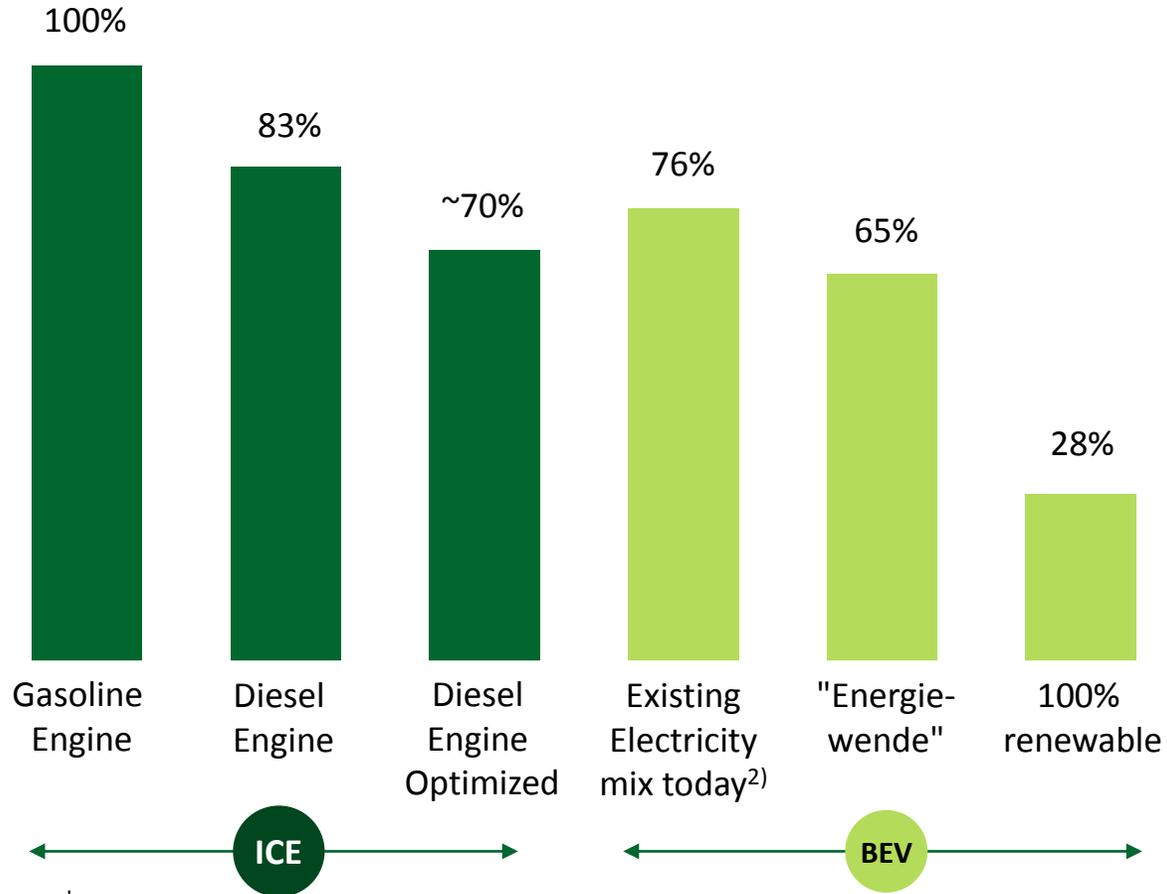
- ICE**
 - ▶ **Emission** target compliance requires more technology and drives powertrain cost with worse cost/benefit compared to HEV
 - ▶ **Governmental restrictions** e.g. localized ban of Diesel engines
- HEV**
 - ▶ Several **HEV architectures** ranging from cost efficient 48V solutions up to highly electrified Plug-In Hybrids
 - ▶ Necessity to keep up with mid-term **CO₂ targets** and legislation
 - ▶ **Fun to drive** – the best of both worlds, less emission with more power and range
- BEV**
 - ▶ Limited charging **infrastructure** for BEV
 - ▶ Reduced driving **range**
 - ▶ **Battery cost** and battery production capacities (85 Giga-factories required)

...it is not as simple as that – Emerging variety of powertrain solutions



CO2 Efficiency of Powertrain solutions – Electricity mix as a key driver

CO₂ Efficiency¹⁾
in %



Source: Schaeffler research

1) 100% = average state of the art gasoline engine CO₂ gram per kilometer

2) In Germany

Key aspects

- ▶ Carbon footprint analysis over the lifetime of a car needs to include electricity mix ("Well to Wheel")
- ▶ Battery electric vehicle does not produce CO₂ directly ("Tank to Wheel"), CO₂ efficiency depends on electricity mix
- ▶ An optimized Diesel engine produces less CO₂ than a battery electric vehicle today
- ▶ Holistic comparison of powertrain solutions needs to include on top manufacturing process ("Cradle to Grave")



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.

16 Strategic initiatives

Agenda 4 plus One



Initiatives

Initiatives	Sponsor
1 Customer Excellence	Prof. Pleus / Dr. Spindler
2 E-Mobility	Prof. Gutzmer
3 Industry 4.0	Dr. Spindler
4 Quality for Tomorrow	Rosenfeld
5 Global Footprint	Rosenfeld
6 Factory for Tomorrow	Jung
7 Shared Services	Dr. Hauck
8 Process Excellence	Rosenfeld
9 Working Capital	Dr. Hauck
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

1 E-Mobility



- ▶ Separate Business Division "E-Mobility" as of January 1st, 2018
- ▶ Strengthen footprint in Greater China as lead market for E-Mobility
- ▶ E-Motor and electronic competence as key drivers



15% of total Sales Automotive OEM from HEV/BEV in 2020

2 Digitalization



- ▶ Group wide Digital Agenda with 4 key areas coordinated by Digital Chief Officer
- ▶ Today 100 employees work on 30 digital projects
- ▶ Strategic partnership with IBM



10% of added value from digitally enhanced products and services in 2022¹⁾

3 Industry 4.0



- ▶ Separate Organizational Unit "Industry 4.0" as of January 1st, 2018
- ▶ Combining Mechatronic business with digital driven services (i.e. Condition Monitoring)
- ▶ Schaeffler Eco System



10% of Sales from Industry 4.0-related products and solutions in 2022

¹⁾ Annual General Meeting 2017

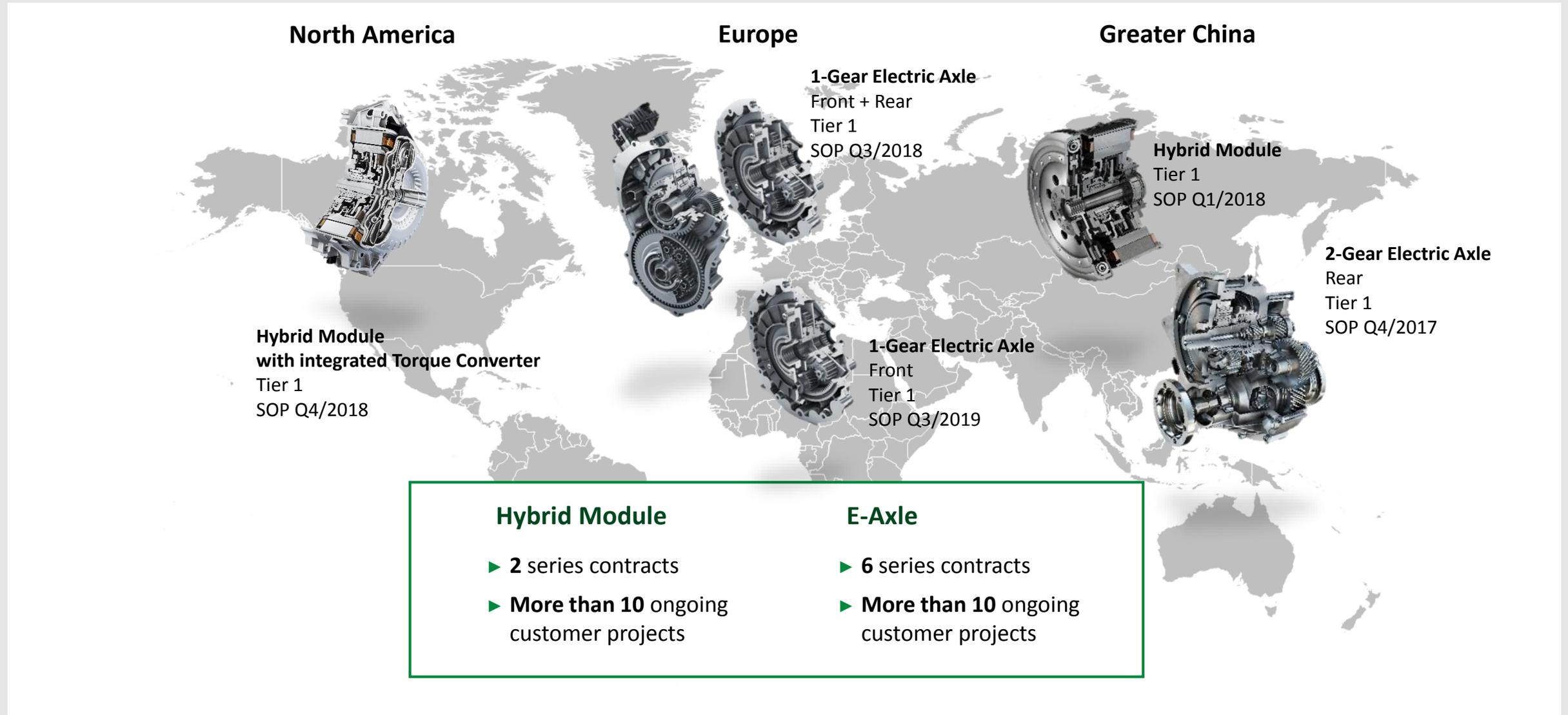
E-Mobility as
key opportunity



- 1 EUR 500 mn additional investments¹⁾ – Hiring 1,200 additional employees
- 2 Strengthening footprint in Greater China as lead market for E-Mobility
- 3 Acquisition of Compact Dynamics and Cooperation with Semikron
- 4 Accelerated scenario established with regional differentiation
- 5 Creating a separate E-Mobility business division within Automotive OEM in January 2018
- 6 Enhancing E-Motor and electronic competence as key drivers

1) Including R&D investments

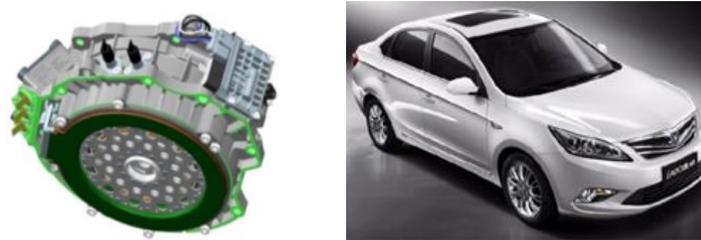
Global, diversified customer reach – 8 series contracts



China as the lead market – Series production starting this year

Nominated projects

ChangAn P2 Hybrid Module:



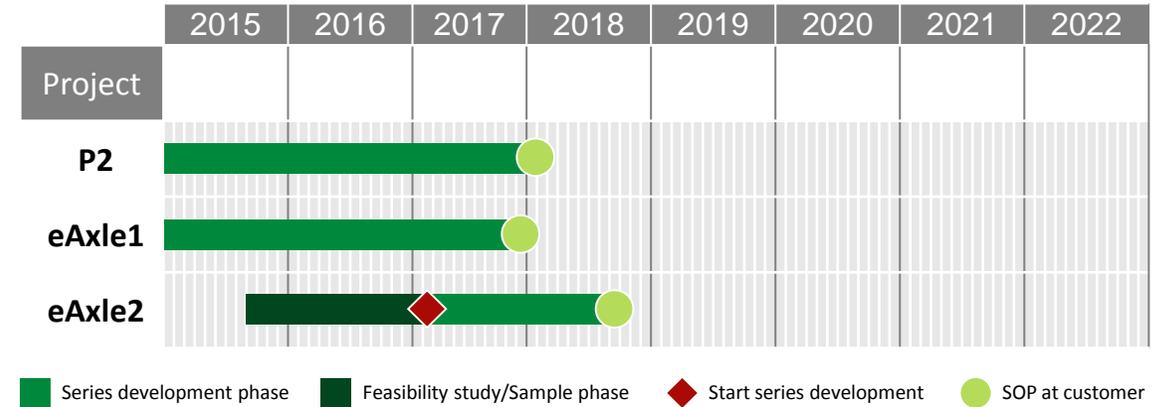
Vehicle data: 60km E-range, 8s (0~100kph), 1.6L/100km Fuel consumption
Involved Products: P2 hybrid module, Valve Train, VCT, OAP, WPB, Timing Chain, Bearings
SOP: 2018

Greatwall (WEY) E-Axle:



Vehicle data: 50km E-range, 6.9s (0~100kph), 2.1L/100km Fuel consumption
Involved Products: eAxle, Valve Train, RSTM, VCT, WPB, DCT damper, Bearings
SOP: 2017

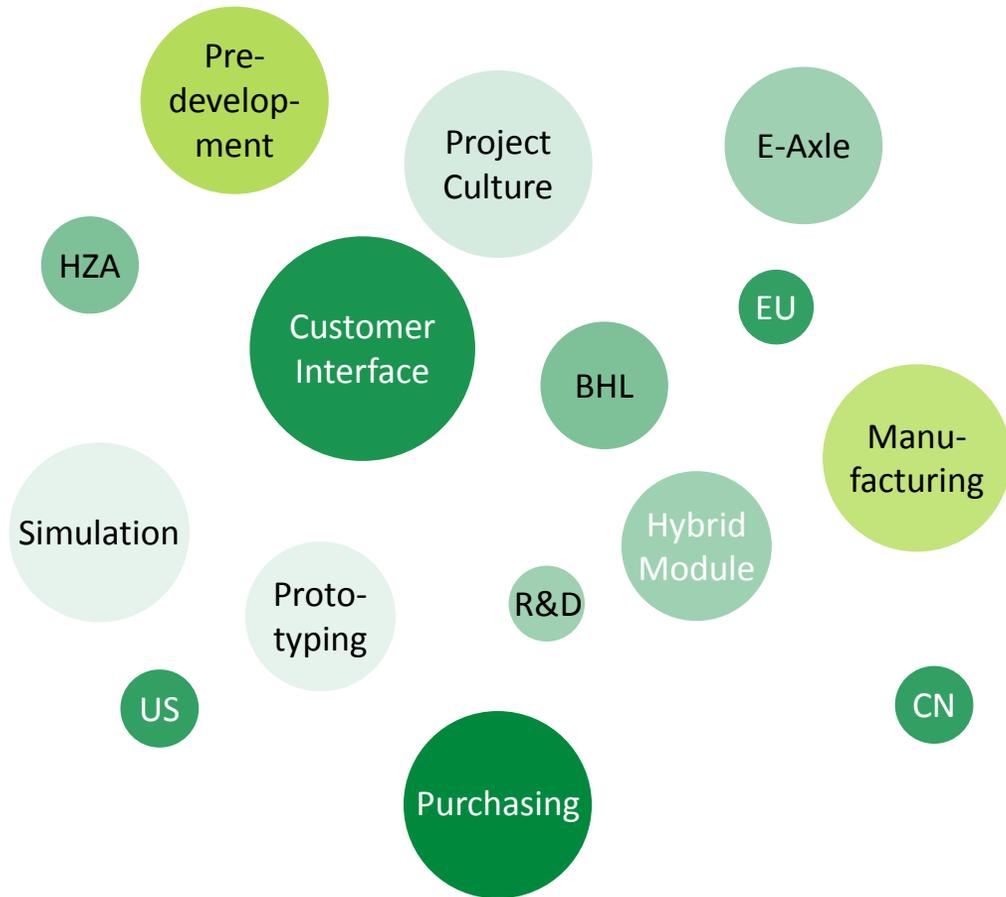
Nominated project schedule



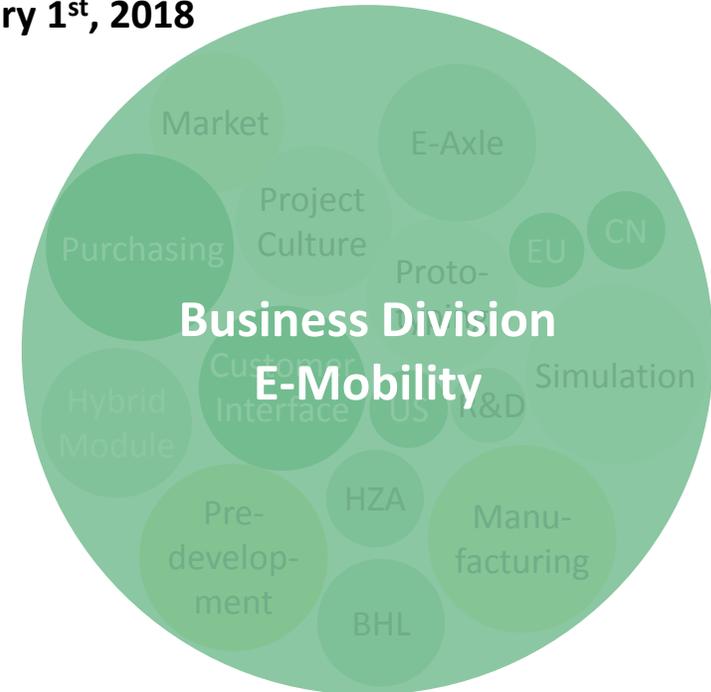
Key aspects

- ▶ Currently, almost all international OEMs in China have in-house solutions, Schaeffler focuses on the sub-system and components
- ▶ For local OEMs, Schaeffler will provide complete systems like P2 hybrid module and E-Axle
- ▶ We have 3 nominated volume production project and 7 potential projects on-going
- ▶ We are working on building up full local competence in order to ensure quick reaction and cost optimization

Today



As of January 1st, 2018



Bundling of the E-Mobility activity at Schaeffler to advance the transition towards E-Mobility by:

- ▶ Presenting one face to the customer
- ▶ Creating R&D synergies
- ▶ Quicker decision making processes
- ▶ A unified controlling to monitor progress

Building blocks

1

Outperformance in Automotive

- ▶ Consistent growth above markets
- ▶ Above-average EBIT margin

Growth

2

Margin upside in Industrial

- ▶ CORE program in execution
- ▶ Margin upside potential >3%-points

Margin

3

Strong Free Cash flow generation

- ▶ Strong operating Cash flow Generation
- ▶ FCF used for dividend payments, M&A and further deleveraging

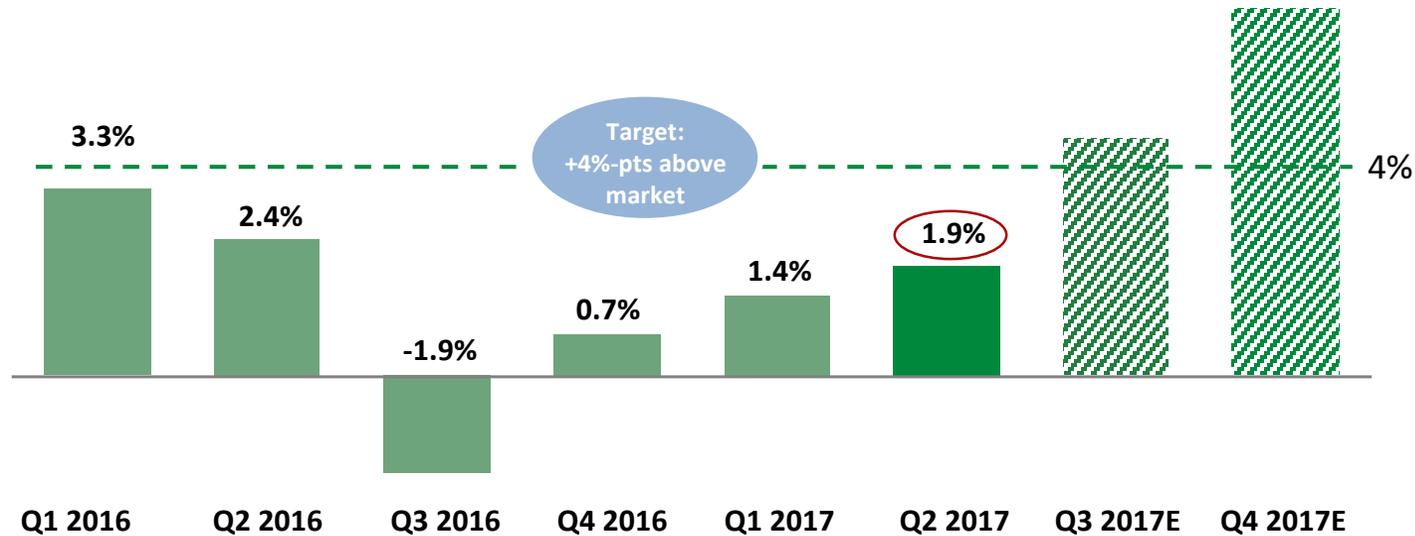
Cash flow

Key objectives

Profitable growth and sustainable value creation

1 Outperformance 2017 – 4%-pts. above Market expected

Outperformance Q1 2016 – Q4 2017E



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017E	Q4 2017E
Growth rate Automotive ¹⁾	5.0%	5.8%	5.1%	8.2%	7.0%	1.6%		
Light Vehicle Production ²⁾	1.7%	3.4%	7.0%	7.5%	5.6%	-0.3%	2.3%	-0.4%
Growth rate Automotive OEM ¹⁾	4.0%	4.7%	3.9%	7.3%	6.5%	3.5%		

¹⁾ Before FX effects

²⁾ Source: IHS; July 2017

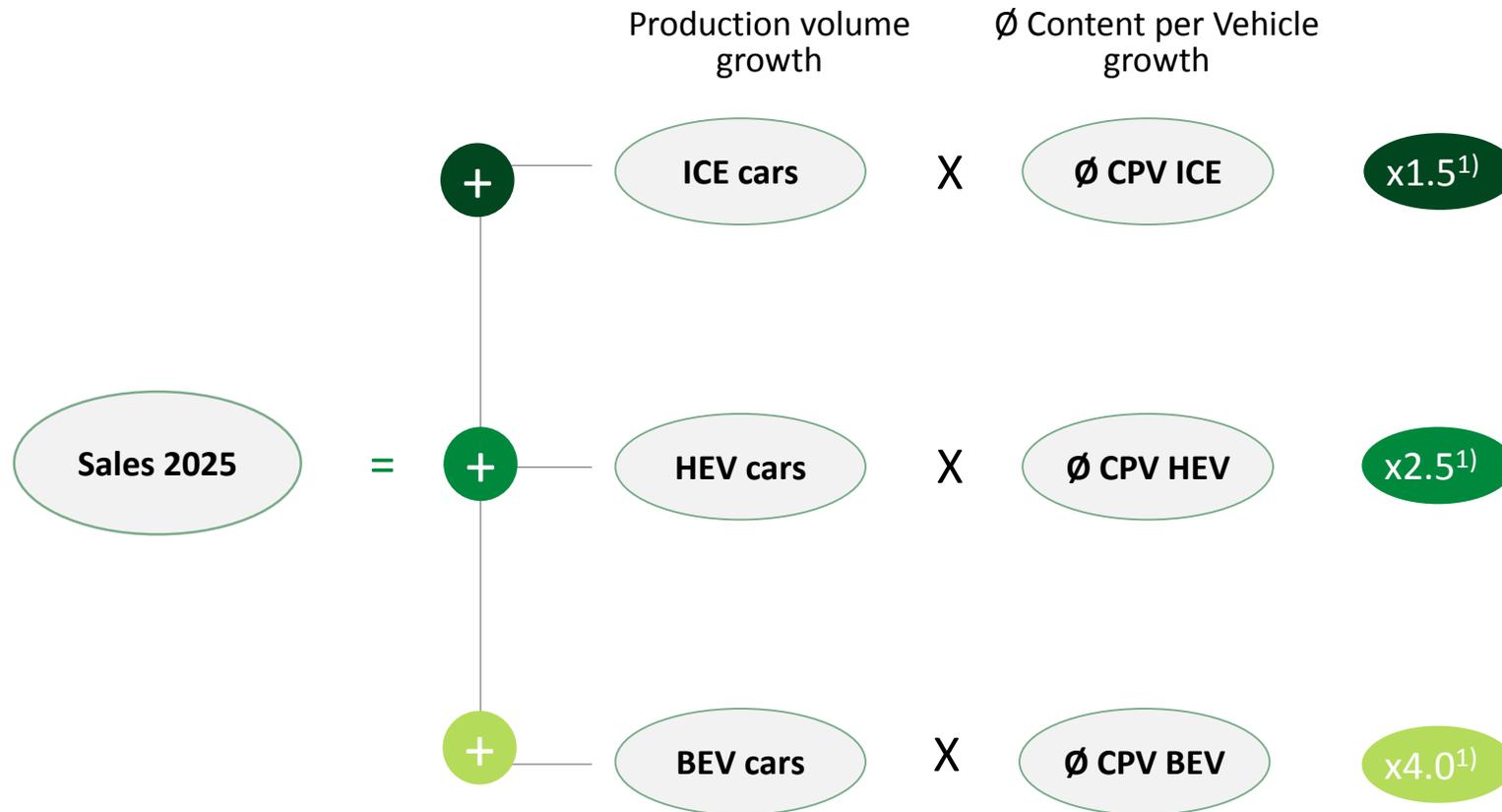
Key aspects

- ▶ Automotive business outperformance 1.9%-pts in Q2 2017 after 1.4%-pts in Q1 2017
- ▶ Negative impact from Automotive Aftermarket in Q2 2017
- ▶ New product launches in OEM business and expected recovery of Automotive Aftermarket business in H2 2017

Outperformance expected to accelerate in H2

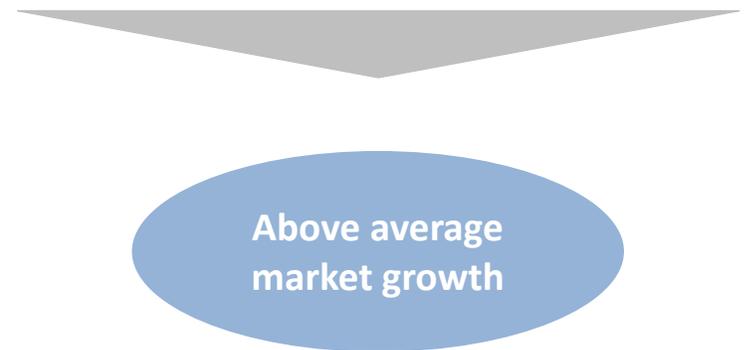
1 E-Mobility – Above average market growth to continue

Our growth formula Automotive



Key aspects

- ▶ The market is moving towards our accelerated scenario (2025: 50% ICE, 35% HEV, 15% BEV)
- ▶ Automotive sales is driven by number of vehicles produced (per powertrain category) x Ø Content per Vehicle
- ▶ We expect Content per Vehicle to grow in all three powertrain categories (ICE, HEV and BEV) ²⁾



1) Content per Vehicle 2025 compared to 2016

2) ICE = Internal combustion engine, HEV = Hybrid electric vehicles, BEV = Battery electric vehicles

1 Outperformance in Automotive – Why do we believe in continued outperformance?

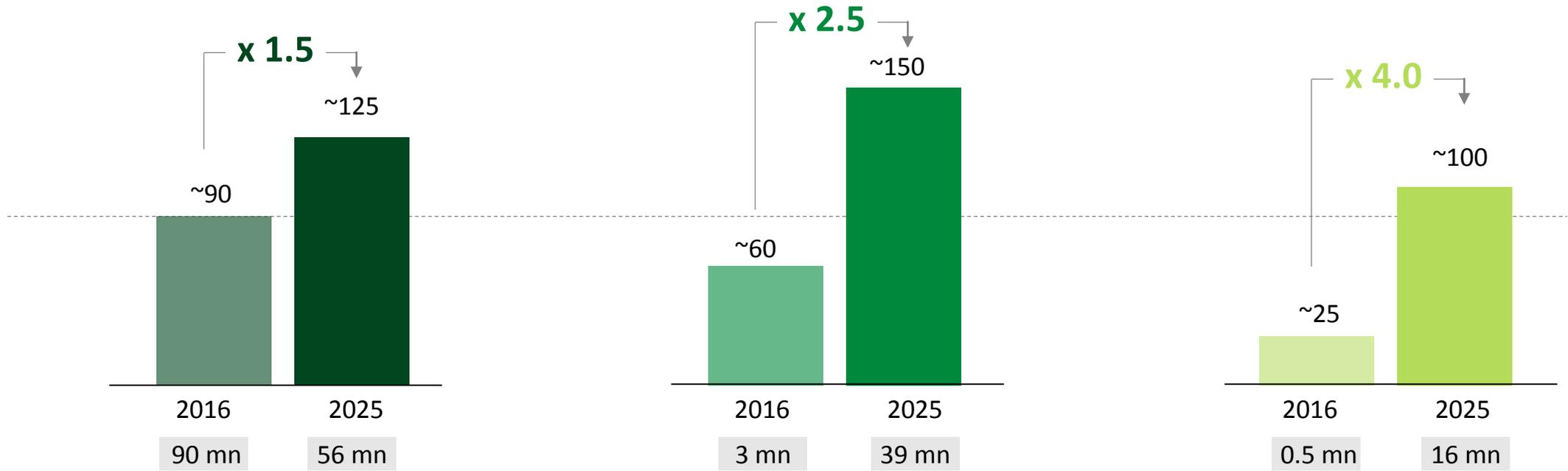
excl. Aftermarket, Heavy Duty & Motorcycles

Content per Vehicle ¹⁾
in EUR

1 ICE

2 HEV

3 BEV



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

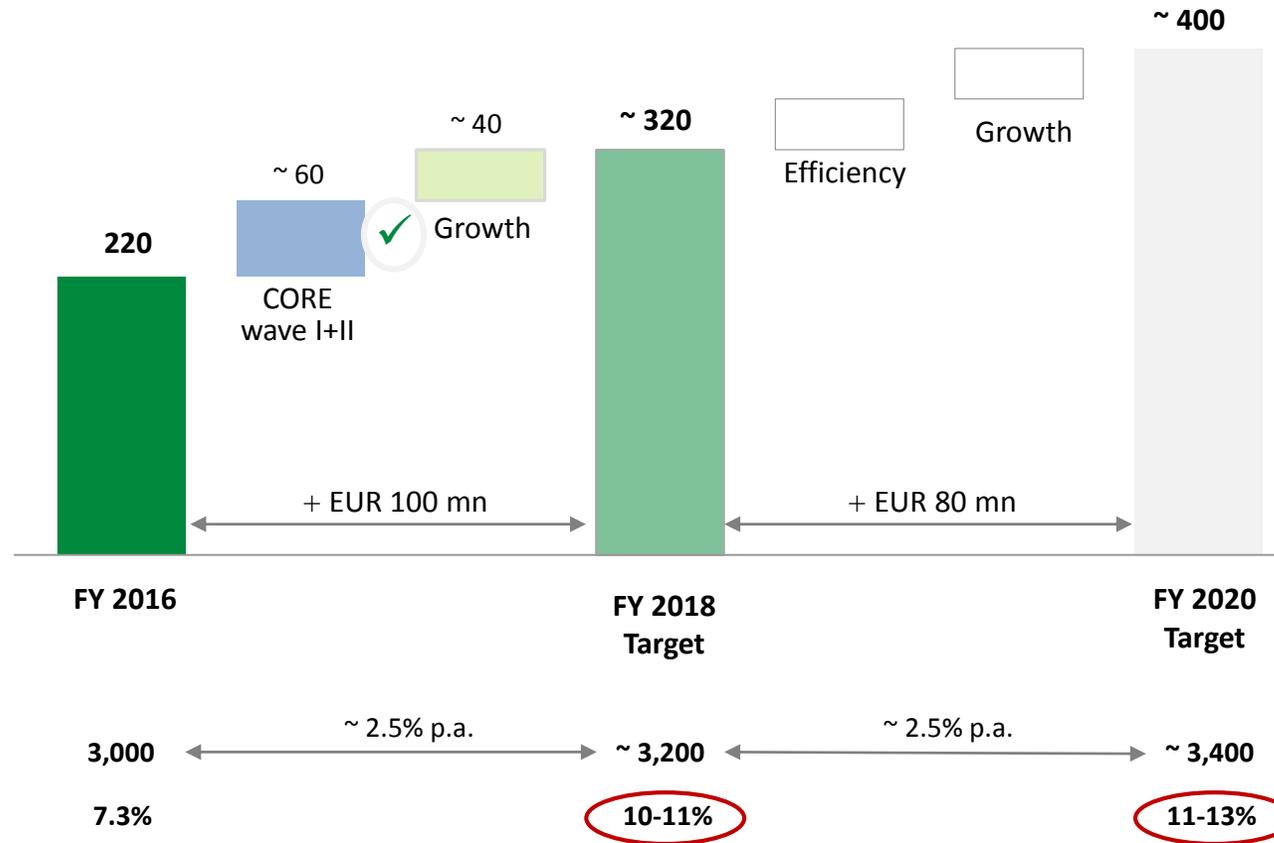
- mn No. of light vehicles²⁾

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 Industrial Division – EBIT margin to improve further

Our EBIT targets Industrial

in EUR mn



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

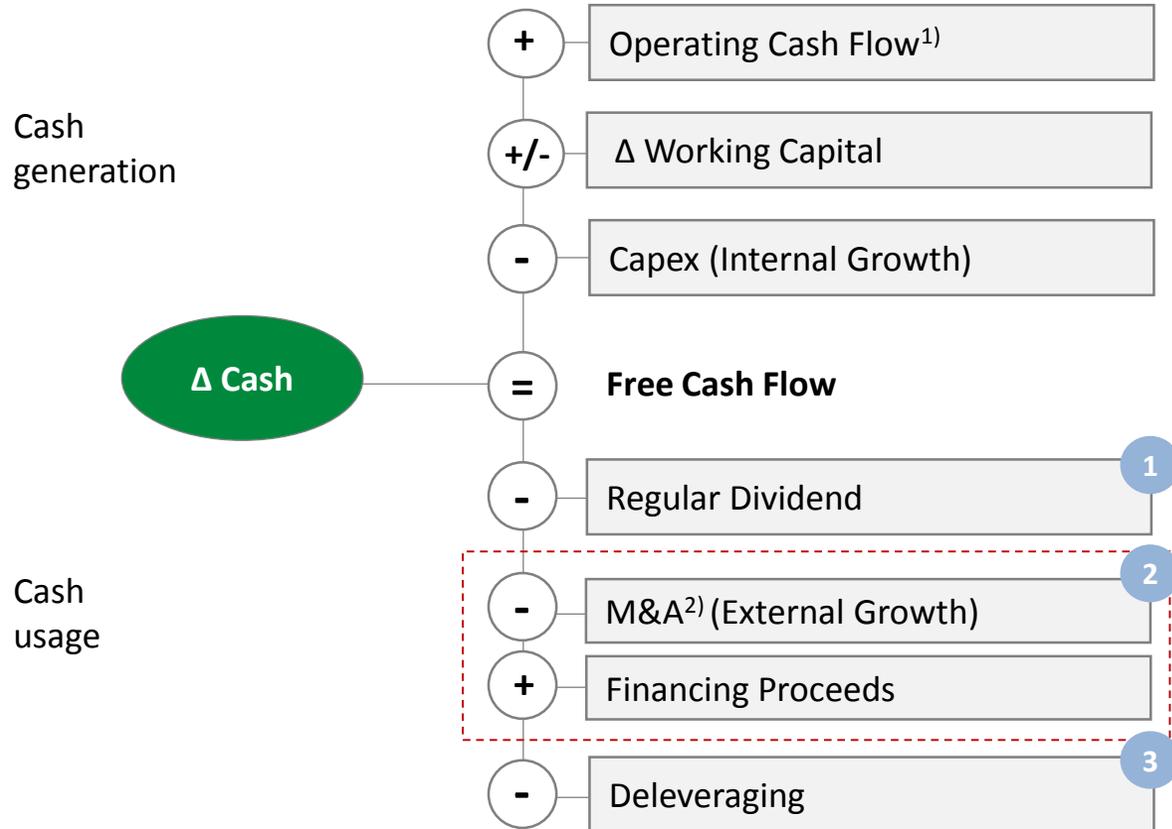
Key aspects

- ▶ Industrial division on track to achieve EBIT margin target for 2018 of 10-11%
- ▶ Mid-term target of 11-13% EBIT margin remains in place for 2020
- ▶ Gap to mid-term target to be bridged by additional efficiency improvement and growth measures (to be determined)



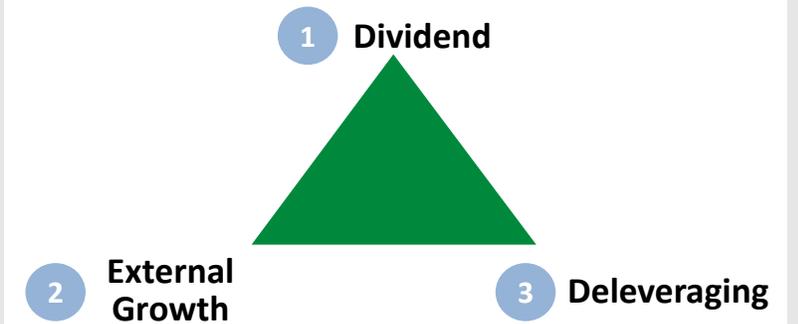
3 Strong Free Cash Flow – Balanced approach

Our Cash Flow formula



Use of Cash

- ▶ Strong cash flow generation from operating business and 3 main uses of cash:
- ▶ Annual Dividend pay-out 30-40% of net income³⁾ (Priority No. 1)



- ▶ External growth / M&A²⁾ to be (primarily) financed from external sources (Priority No. 2)
- ▶ No immediate deleveraging needs (Priority No. 3), significant financing headroom⁴⁾

¹⁾ Before Δ Working Capital

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

³⁾ Adjusted for one-offs

⁴⁾ Max leverage up to 1,5x EBITDA LTM to maintain Investment Grade Rating

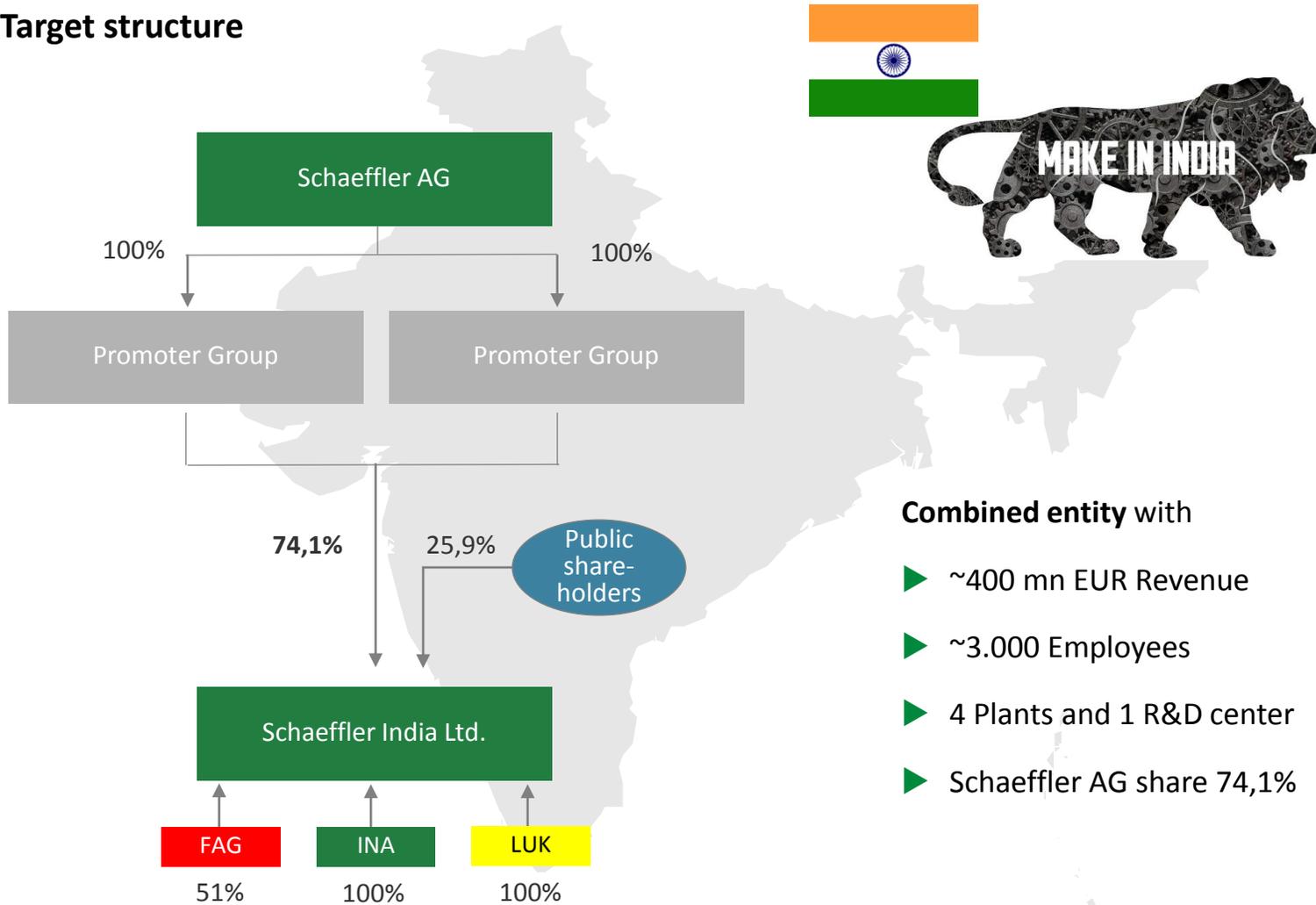
The way forward – Becoming more transparent



- 1 Optimizing our disclosure
 - ▶ Regular reporting of Order intake Automotive OE and Order book Industrial
 - ▶ Semi annual disclosure starting in 2018
- 2 Intensifying our communication
 - ▶ New CFO
 - ▶ New Head of IR
- 3 Managing expectations in a more proactive manner
 - ▶ Annual Guidance 2017
 - ▶ Financial Ambition 2020
- 4 Making our business model more transparent
 - ▶ 2 divisions / 3 main building blocks
 - ▶ Automotive OE / Automotive AAM / Industrial
- 5 Explaining internal synergy potential
 - ▶ Automotive and Industrial supplier
 - ▶ "One Schaeffler" approach

Schaeffler in India – Establishing one strong Schaeffler India entity

Target structure



Combined entity with

- ▶ ~400 mn EUR Revenue
- ▶ ~3.000 Employees
- ▶ 4 Plants and 1 R&D center
- ▶ Schaeffler AG share 74,1%

Key aspects

- ▶ Schaeffler AG is present in India since 1962, one listed entity (51% Schaeffler AG) and two wholly owned subsidiaries (100%)
- ▶ Merger between the three Indian entities announced on August 30th, 2017, closing expected H1 2018
- ▶ Simplification of legal structure, complexity reduction and realization of revenue and cost synergy potentials targeted
- ▶ India as one of the key growth markets going forward (50% industrial / 50% automotive)
- ▶ Positive stock market reaction, shares of listed entity up 15% after announcement

One Schaeffler Approach

Guidance 2017

New Guidance for 2017
as of June 26, 2017

Sales growth	4-5% FX-adjusted
EBIT margin	11-12% of sales before one-off effects
Free Cash Flow	~ EUR 500 mn w/o external growth



Financial Ambitions 2020

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

- ▶ Automotive: Global Light Vehicle production growth of around 1.5%
- ▶ Industrial: Slight volume growth of global Industrial production at constant prices

1) Reported FCF of EUR -89 mn minus EUR 3 mn negative impact from M&A

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

2) Payout ratio based on Net income



Investor Relations

Phone: + 49 9132 82 4440
Email: ir@schaeffler.com
Web: www.schaeffler.com/ir

Financial Calendar

9M 2017 results:	November 8, 2017
FY 2017 results:	March 7, 2018
Q1 2018 results:	May 7, 2018
H1 2018 results:	August 6, 2018