



Results Q3 2017 Schaeffler AG

Conference Call
November 8, 2017
Herzogenaurach

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).

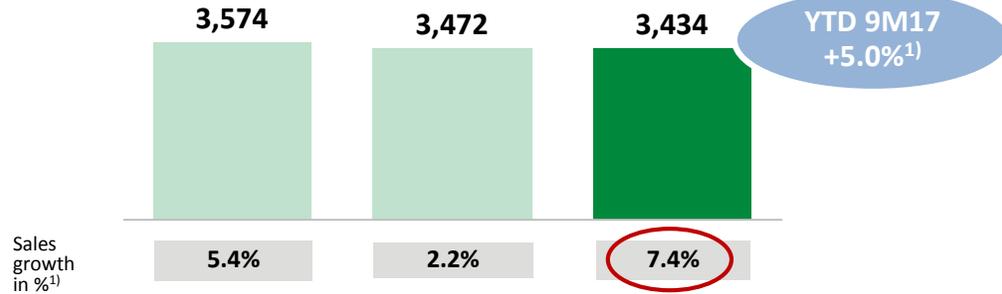
This presentation is intended to provide a general overview of Schaeffler Group's business and does not purport to deal with all aspects and details regarding Schaeffler Group. Accordingly, neither Schaeffler Group nor any of its directors, officers, employees or advisers nor any other person makes any 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.

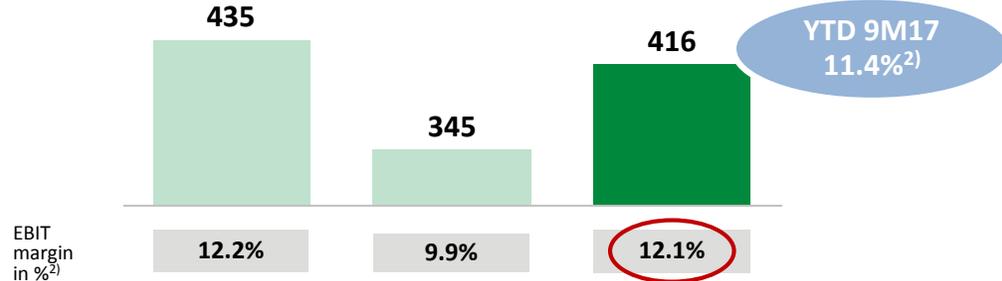
- 1** Overview
- 2** Business Highlights
- 3** Financial Highlights
- 4** Summary and Outlook

Solid Q3 2017 Results – Performance back on track

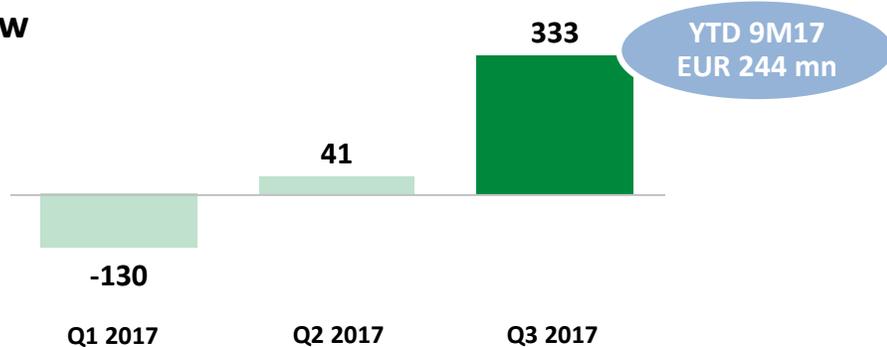
Sales



EBIT



Free Cash Flow



1) FX adjusted
2) Before one-off effects

Key aspects

Sales growth¹⁾ accelerated in Q3 to +7.4% p.a.;
Growth rate 9M 2017 increased to 5%

EBIT margin²⁾ stabilized at 12.1% in Q3;
EBIT margin²⁾ 9M 2017 improved to 11.4%

Free Cash Flow generated in Q3 of EUR 333 mn;
Free Cash Flow after 9M 2017 EUR 244 mn

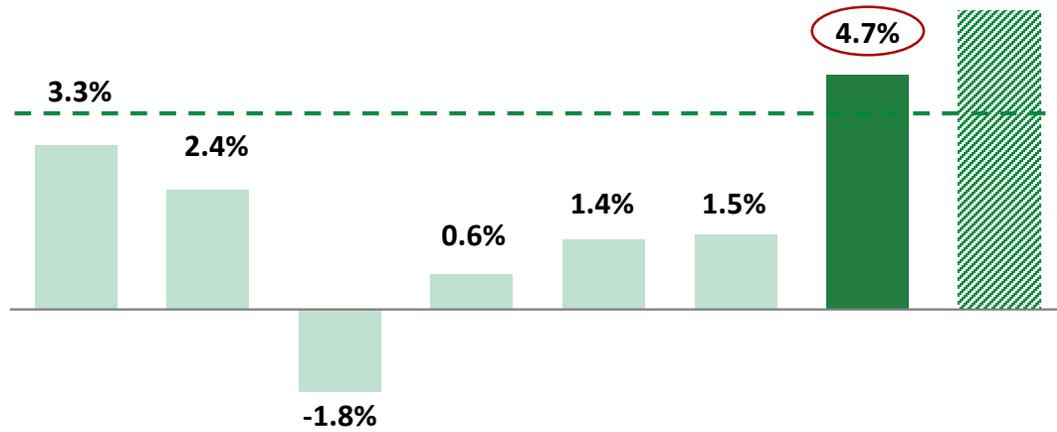
Net Income 9M 2017 at EUR 791 mn (9M 2016: EUR 672 mn);
9M 2017 EPS growth of 17% to EUR 1.19 (9M 2016: EUR 1.02)

Results in line with updated FY guidance;
FY 2017 guidance confirmed

A Automotive business – Outperformance Q3 2017 +4.7%

Outperformance Q1 2016 - Q4 2017E

FY 2017 Target:
+4% pts. above market



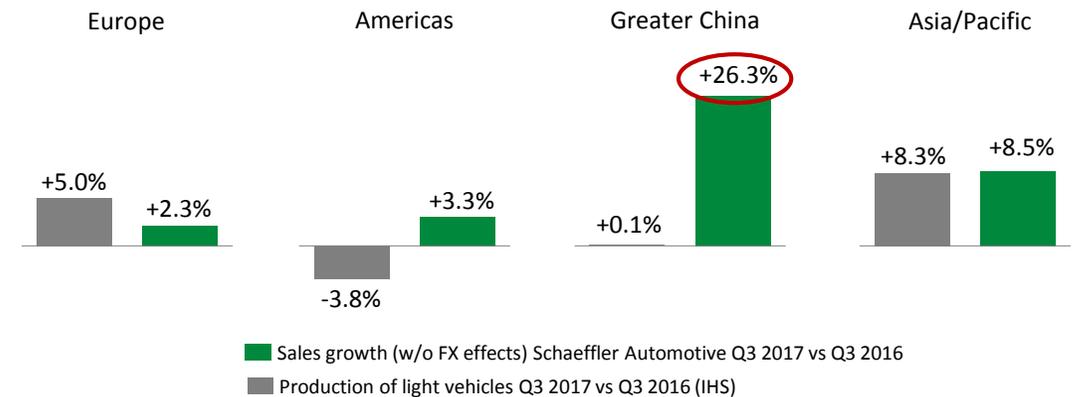
	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Growth rate Automotive ¹⁾	5.0%	5.8%	5.1%	8.2%	7.0%	1.6%	6.9%	-
Light Vehicle Production ²⁾	1.7%	3.4%	6.9%	7.6%	5.6%	0.1%	2.2%	0.1%
Growth rate Automotive OEM ³⁾	4.0%	4.7%	3.9%	7.3%	6.8%	3.6%	7.1%	-

1) FX adjusted
2) Source: IHS; October 2017
3) FX adjusted without Automotive Aftermarket

Key aspects

- ▶ Sales growth Automotive¹⁾ Q3 2017 +6.9% leading to outperformance of 4.7% globally
- ▶ Key drivers are China (+26%¹⁾) and Americas (+3%¹⁾), European growth below market
- ▶ FY 2017 target of 4% pts. outperformance ambitious but still achievable

Regional outperformance Q3 2017



New center for E-Mobility in Americas

- ▶ Wooster plant becomes U.S. center for advanced E-Mobility development, total investments of USD 60 mn
- ▶ SOP P2 Hybrid Module in Q4 2018 for leading US OEM
- ▶ Investments include capacity expansion for highly successful torque converter product



P2 hybrid module

1st SOP Hybrid Module in China

- ▶ Official market launch of Chinese PHEV from ChangAn on 19 October 2017
- ▶ Significant three-digit EUR mn lifetime sales 2018-2023 expected
- ▶ Successful product development leads to new potential E-Mobility projects with local Chinese OEMs



Changan C2017 PHEV launch poster

Capacity expansion for TMM

- ▶ New plant for Thermal Management Modules opened in October 2017 in Svitavy, Czech Republic
- ▶ 7 signed contracts with SOPs between 2017 and 2019 and EUR 800 mn lifetime sales
- ▶ Highly integrated Thermal Management Module helps carmakers to achieve CO2 reductions of up to 4%



Thermal Management Module

EBIT Margin development¹⁾

FY 2017 Target:
8-9%



	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
EBIT ¹⁾	54	70	55	40	68	68	71	-
EBIT ¹⁾	179			40	207			-
EBIT ¹⁾	219				-			

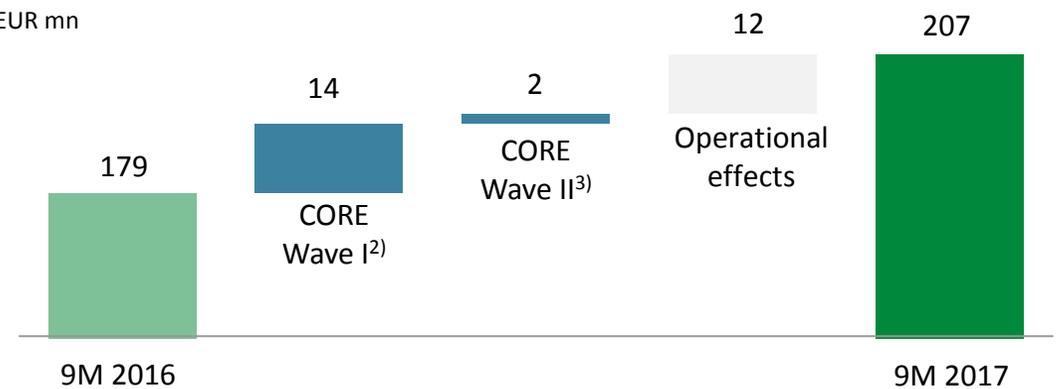
1) Before one-off effects

Key aspects

- ▶ EBIT margin¹⁾ Q3 2017 reaches 9.0% supported by solid sales growth
- ▶ EBIT margin¹⁾ 9M 2017 of 8.7% well within range of 8-9% for 2017
- ▶ Continued focus on sales performance and cost improvement measures

EBIT bridge 9M 2016 to 9M 2017

in EUR mn



2) Wave I 100% completed

3) Wave II 31% completed

Offroad

- ▶ Fastest growing sector in Q3 2017 with more than 25%¹⁾ growth globally)
- ▶ Market entry with Industry 4.0-components
- ▶ Customer highlight: Schaeffler has earned Caterpillar's Supplier Qualification Excellence Process (SQEP) certification



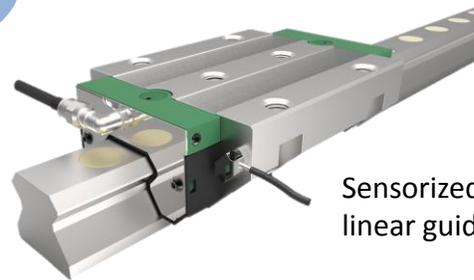
Torque measurement module

Industry 4.0 to become separate organizational unit as of Jan 1st 2018

1) FX adjusted

Industrial Automation

- ▶ 12% growth¹⁾ globally in Q3 2017
- ▶ Key sector for Industry 4.0 solutions going forward
- ▶ Customer highlight: DMG MORI honored Schaeffler's business support with the "Partner Award 2017" at the EMO fair



Sensorized linear guidance

Raw Materials

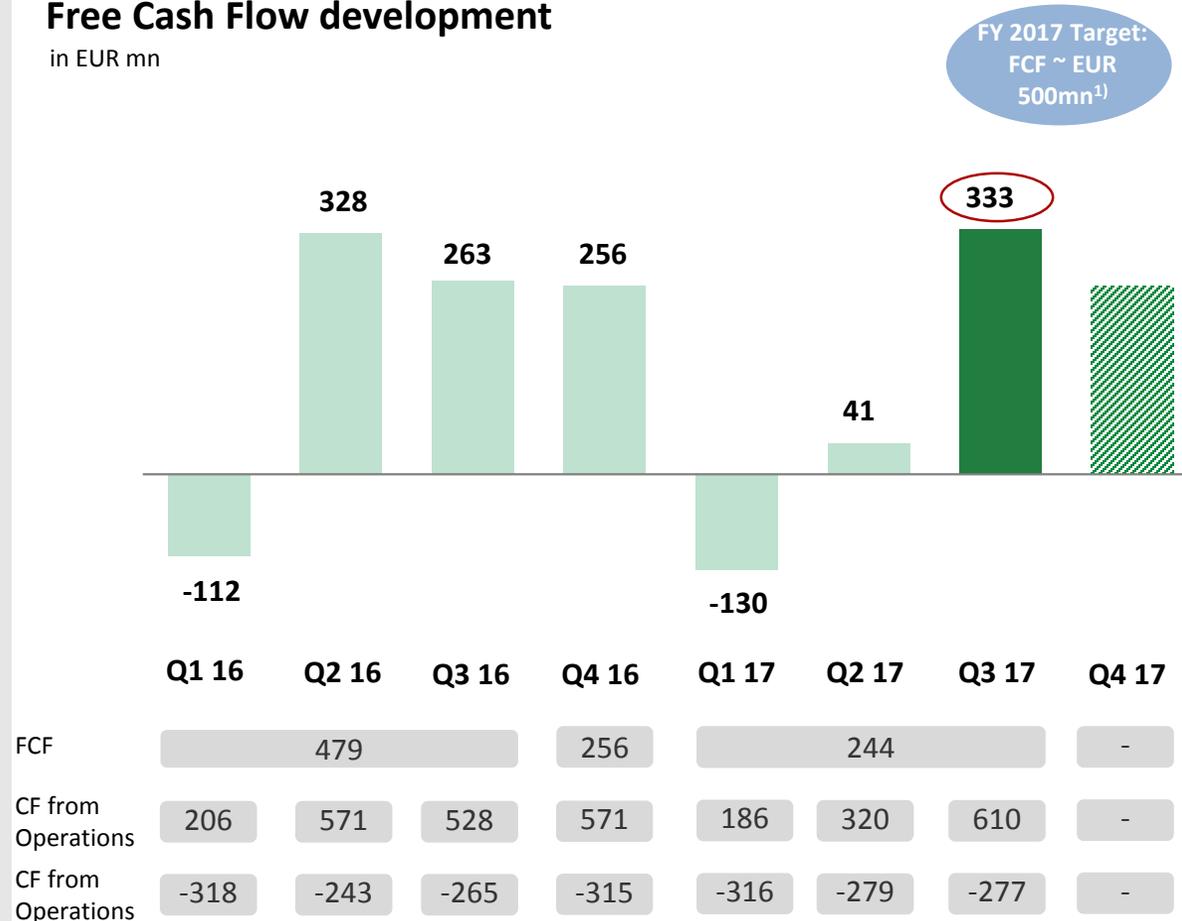
- ▶ 20% growth¹⁾ globally in Q3 2017
- ▶ Won business with superior MancoDur & X-life bearings
- ▶ Customer highlight: Successful symposium "Hot Rolling and Cold Rolling Day 2017" in Moscow



MancoDur tapered roller bearing

Free Cash Flow development

in EUR mn



1) Excluding external growth

2) Including payments for legal cases, restructuring measures and financing transactions

3) Including acquisition and divestiture transactions

4) Capex in major logistic projects Aftermarket Kitting Operations (AKO) and European Distribution Center (EDC)

Key aspects

- ▶ FCF in Q3 improved to EUR 333 mn, 9M 2017 EUR 244 mn as reported
- ▶ FCF impacted by several non-recurring items
- ▶ FY 2017 target of EUR 500 mn¹⁾ achievable

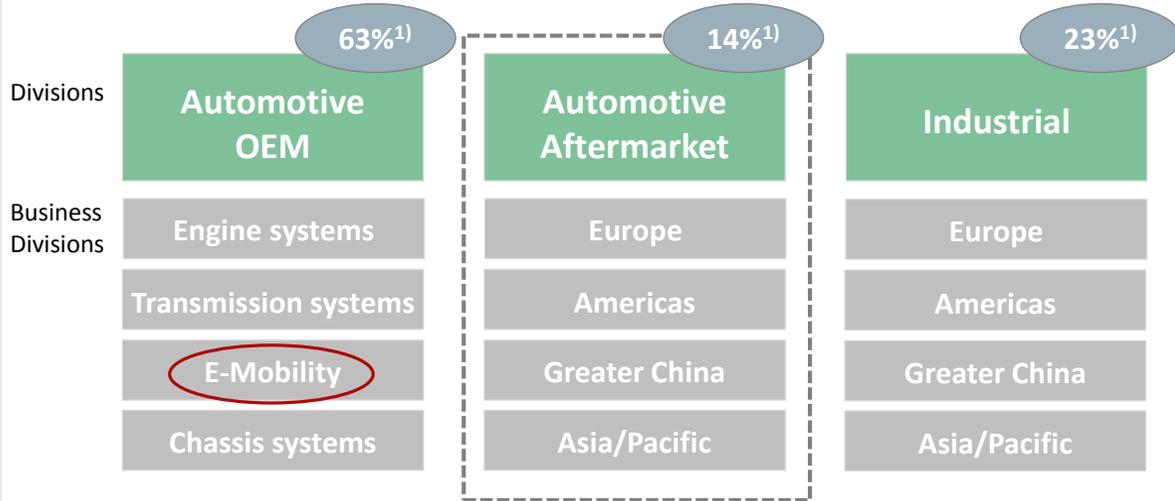
FCF details

in EUR mn

	Q3'16	Q3'17	Delta	9M'16	9M'17	Delta
FCF as reported	263	333	70	479	244	(235)
1 Non recurring items ²⁾	19	10	(9)	(1)	103	104
2 AKO / EDC ⁴⁾	1	26	25	7	66	59
3 M&A	0	0	0	0	3 ³⁾	3
4 Sales of Receivables	0	(54)	(54)	0	(54)	(54)
	283	315	32	485	362	(123)

D New business structure – Becoming more transparent

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
- ▶ Automotive OEM to establish own business division E-Mobility

More customer focus
More decentralization
More transparency

Strategic Rationale

Michael Söding



New Board Member as of Jan 1st 2018



◆ Corporate Headquarter
◆ Divisional Headquarter

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

- 1** Overview
- 2** Business Highlights
- 3** Financial Highlights
- 4** Summary and Outlook

in EUR mn		Q3 2016	Q3 2017	y-o-y	9M 2016	9M 2017	y-o-y
1	Sales	3,265	3,434	+7.4% ¹⁾	9,977	10,480	+5.0% ¹⁾
2	EBIT ²⁾	417	416	-0.2%	1,276	1,196	-6.3%
	EBIT margin ²⁾	12.8%	12.1%	-0.7% pts.	12.8%	11.4%	-1.4% pts.
3	Net income	178	306	+71.9%	672	791	+17.7%
	EPS	0.27	0.46	+70.4%	1.02	1.19	+16.7%
4	Capex	268	279	+11	829	873	+44
5	Free Cash Flow	263	333	+70	479	244	-235
6	Gearing ratio	185%	109%	-76% pts.	185%	109%	-76% pts.

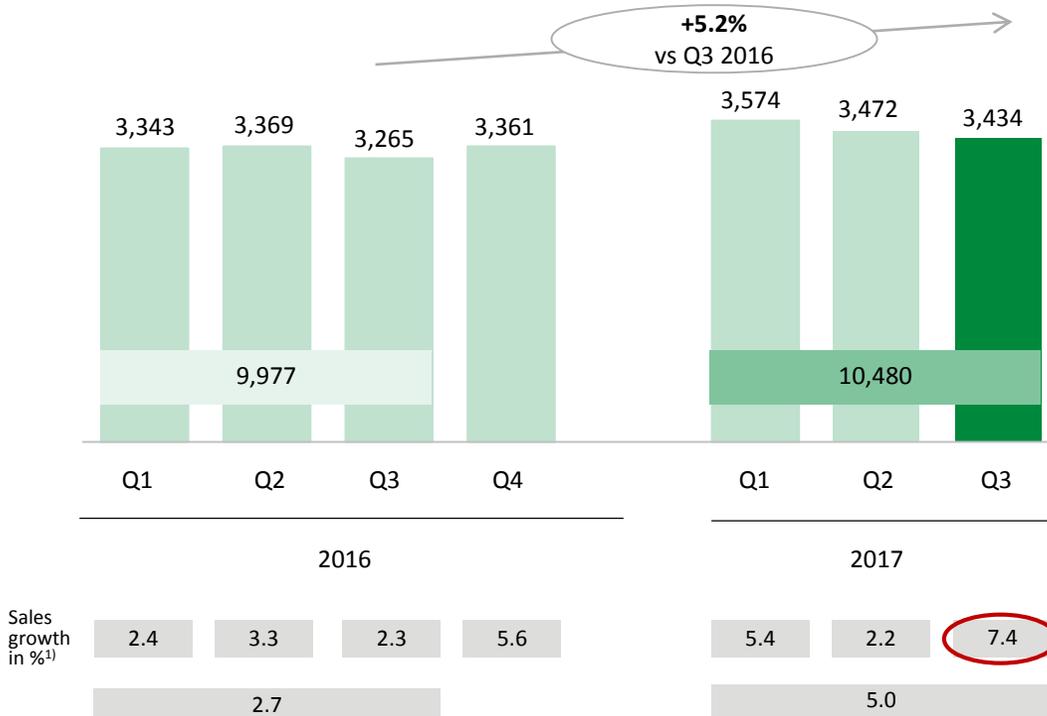
1) FX-adjusted

2) Before one-off effects

1 Group Sales – Q3 2017 growth¹⁾ of +7.4%

Sales

in EUR mn



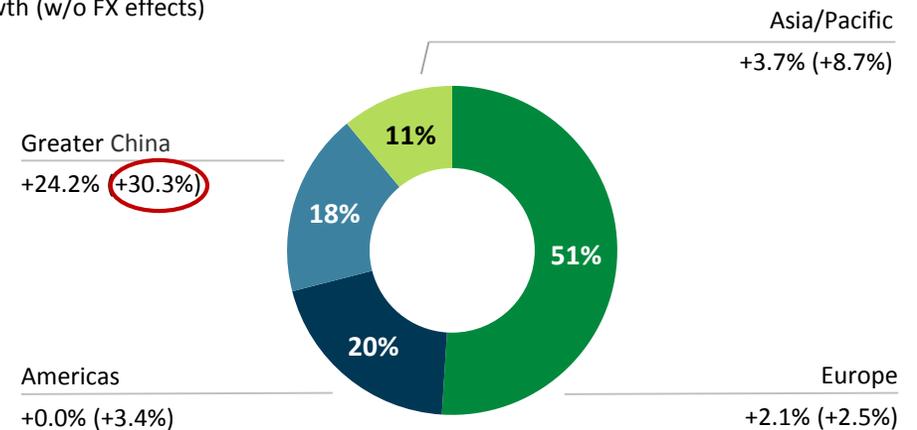
1) FX-adjusted

Key aspects

- ▶ +7.4% FX-adjusted sales growth in Q3 2017 driven by strong development in Automotive and Industrial
- ▶ All regions contributed to the sales growth in Q3 2017
- ▶ FX turned into a headwind in Q3: 2.2%-pts. negative impact on topline

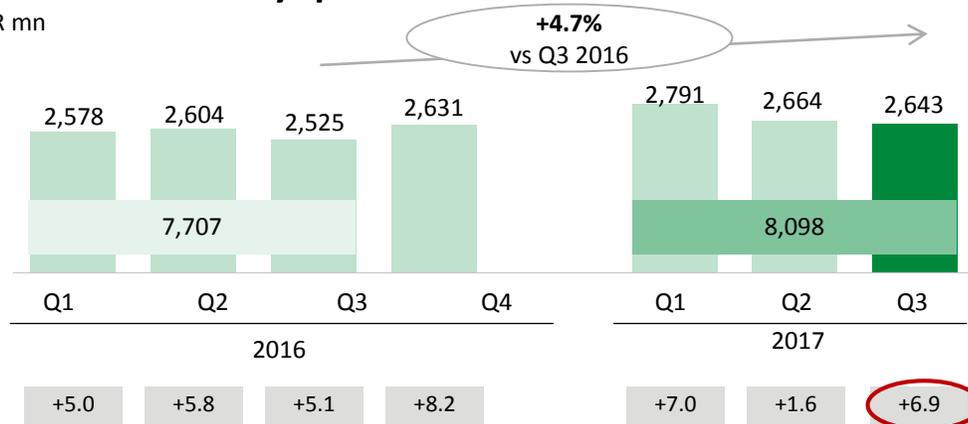
Sales by region Q3 2017

y-o-y growth (w/o FX effects)



Automotive sales by quarter

in EUR mn



Sales growth in %¹⁾

1) FX-adjusted

Key aspects

- ▶ Clear acceleration of growth and outperformance in the third quarter
- ▶ Strong contribution from all business divisions
- ▶ Automotive Aftermarket back on track with +4.8% FX-adjusted growth

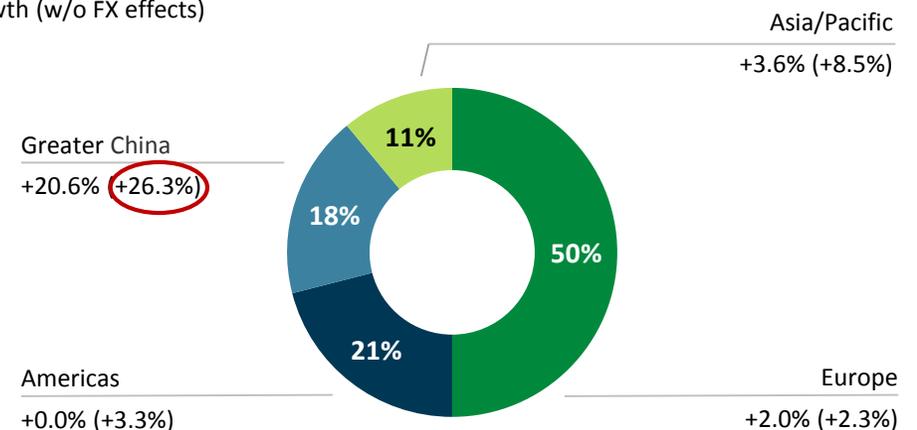
Sales by business division

in EUR mn

	Q3 2016	Q3 2017	Δ (w/o FX effects)
Engine Systems	636	670	+8.3%
Transmission Systems	1,037	1,095	+8.1%
Chassis Systems	368	375	+4.2%
Automotive Aftermarket	484	503	+4.8%
Total	2,525	2,643	+6.9%

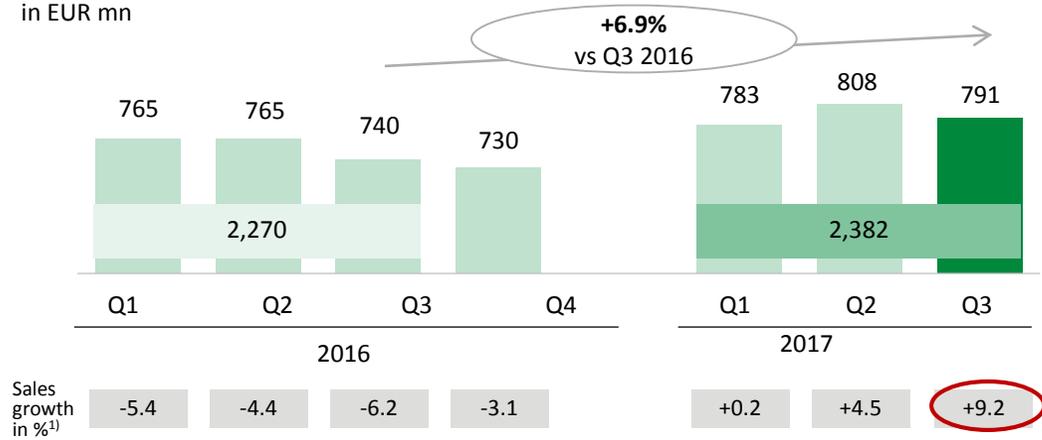
Sales by region Q3 2017

y-o-y growth (w/o FX effects)



Industrial sales by quarter

in EUR mn

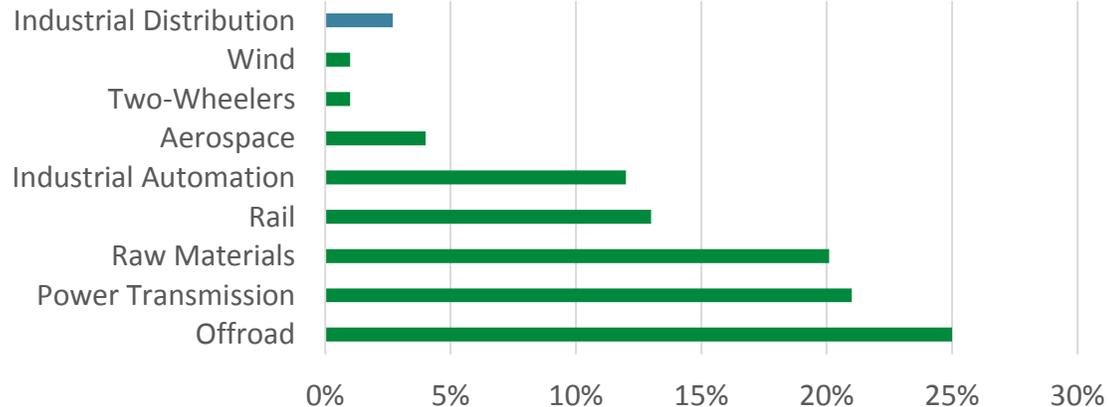


Sales by region

y-o-y growth

	Q3 2016	Q3 2017	Δ (w/o FX effects)
Europe	436	447	+3.1%
Americas	139	139	+3.4%
Greater China	93	130	+47.5%
Asia/Pacific	72	75	+9.3%
Total	740	791	+9.2%

Industrial sales by sector cluster Q3'17¹⁾



1) FX-adjusted

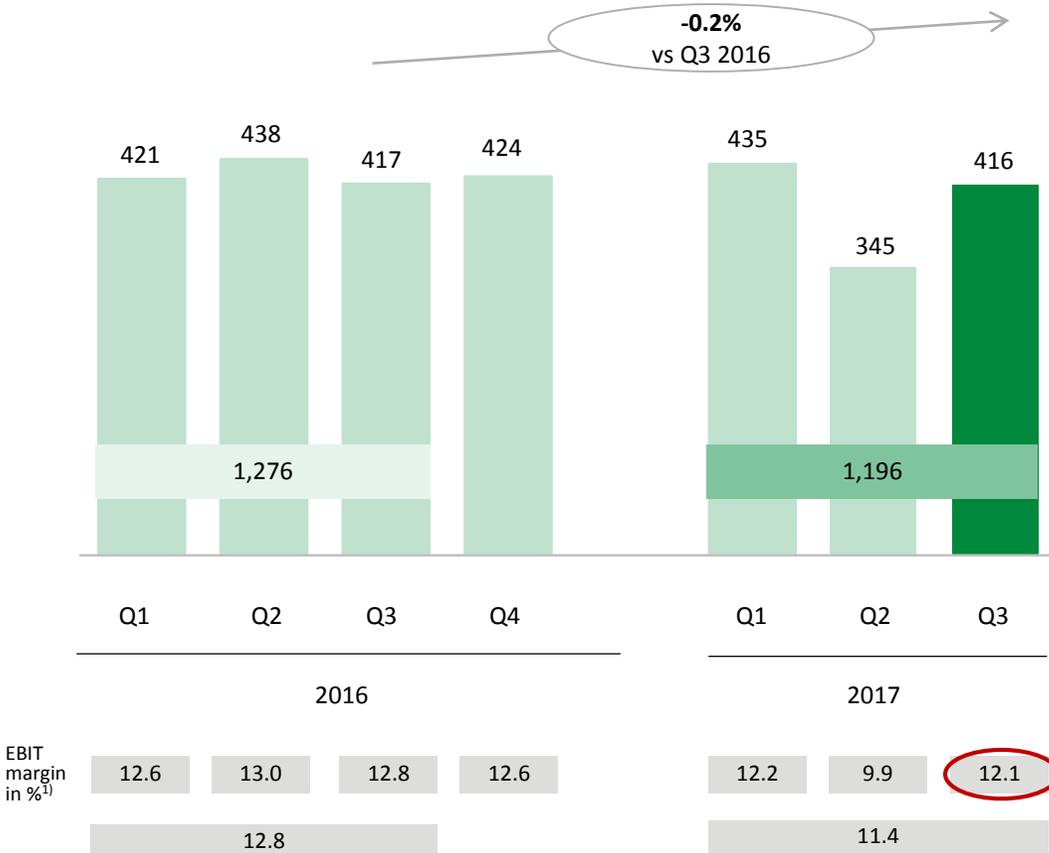
Key aspects

- ▶ All regions and sector clusters with positive sales growth of total +9.2% fx-adjusted
- ▶ Offroad, Power Transmission and Raw Materials each with high double-digit growth, Wind affected by weak market in Europe
- ▶ Production bottlenecks in some clusters with high demand

2 Group EBIT – EBIT margin¹⁾ Q3 2017 at 12.1%

EBIT¹⁾

in EUR mn



Key aspects

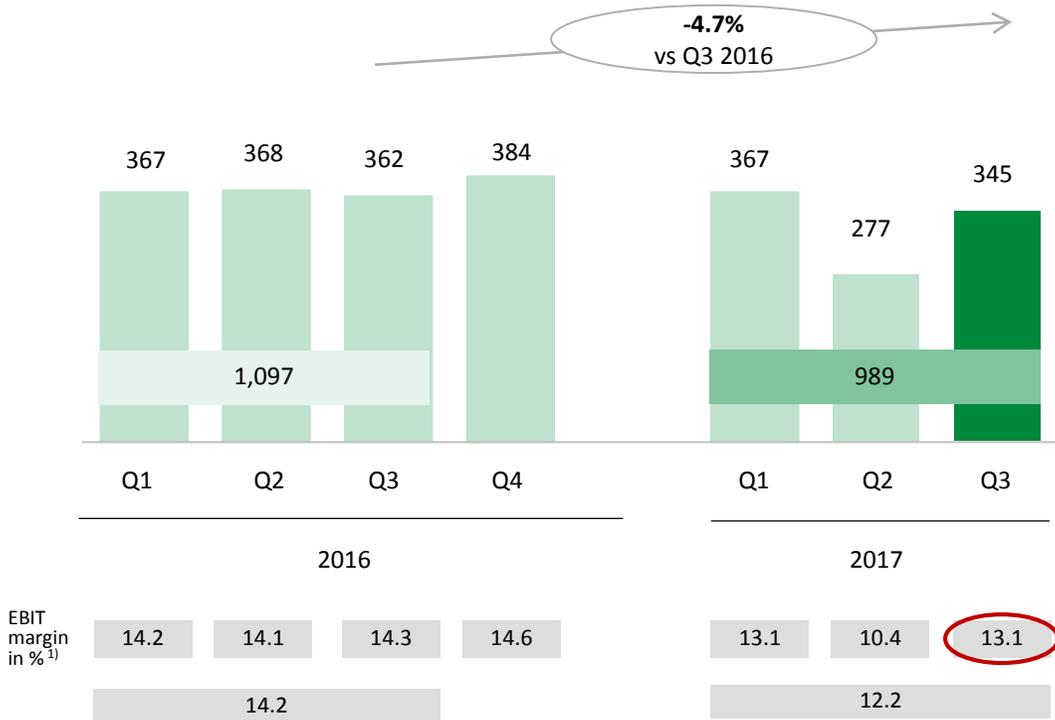
- ▶ Margin stabilized, sequentially improving to 12.1% in Q3
- ▶ Q3 EBIT¹⁾ flat at EUR 416 mn versus prior year with lower contribution from Automotive
- ▶ Automotive EBIT mainly influenced by higher R&D and selling expenses
- ▶ Industrial EBIT increased due to positive mix, higher volumes and gained efficiencies in the plants
- ▶ Positive contribution from CORE Wave I of c. EUR 14 mn, CORE Wave II with EUR 2 mn (completion ratio of 31%)

1) Before one-off effects

Automotive EBIT – EBIT margin¹⁾ Q3 2017 at 13.1%

EBIT¹⁾

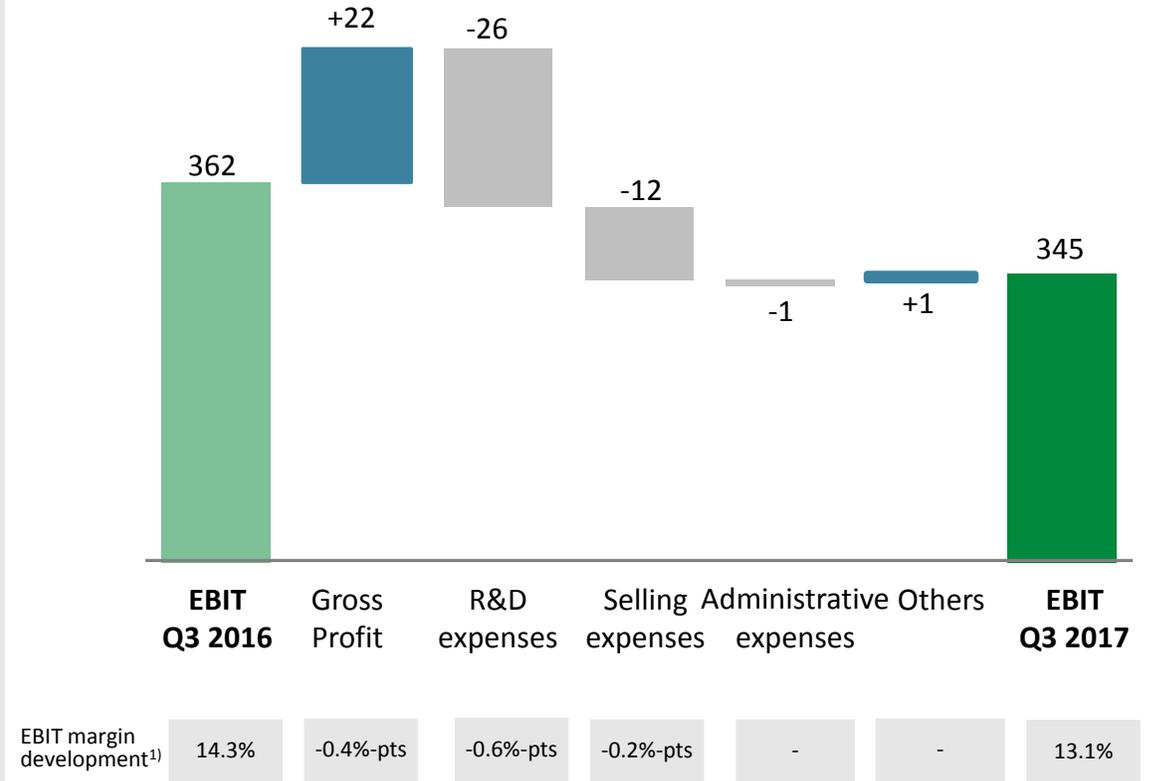
in EUR mn



1) Before one-off effects

EBIT¹⁾ Q3 2016 vs. Q3 2017

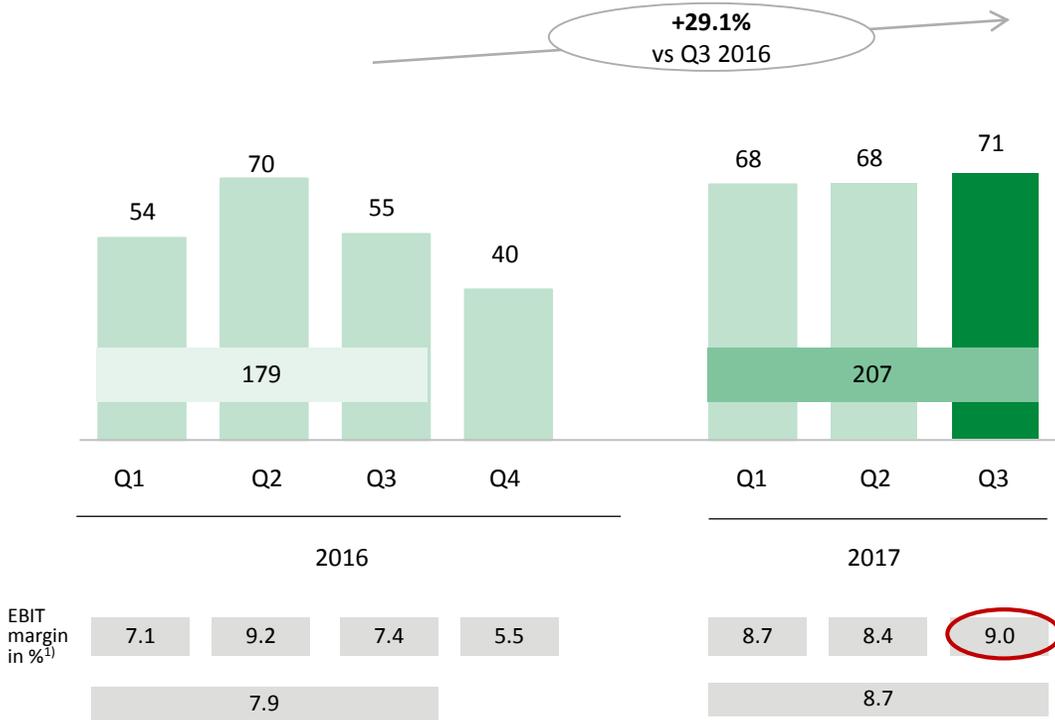
in EUR mn



Industrial EBIT – EBIT margin¹⁾ Q3 2017 at 9.0%

EBIT¹⁾

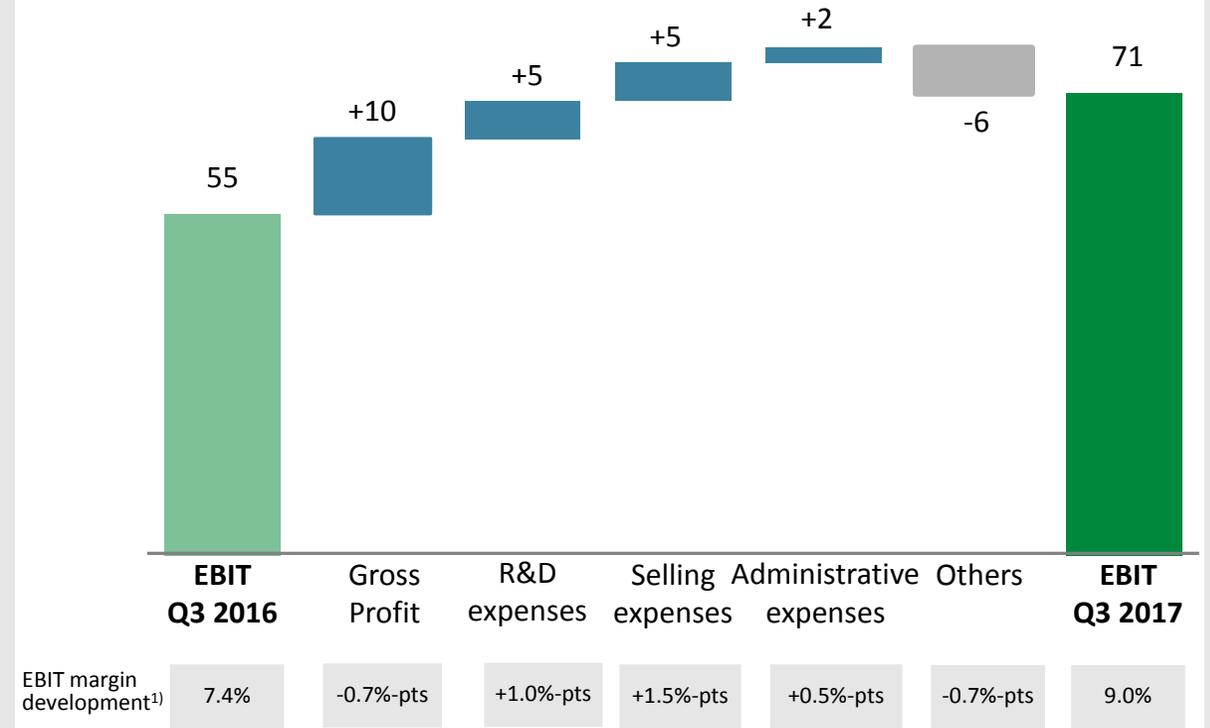
in EUR mn



1) Before one-off effects

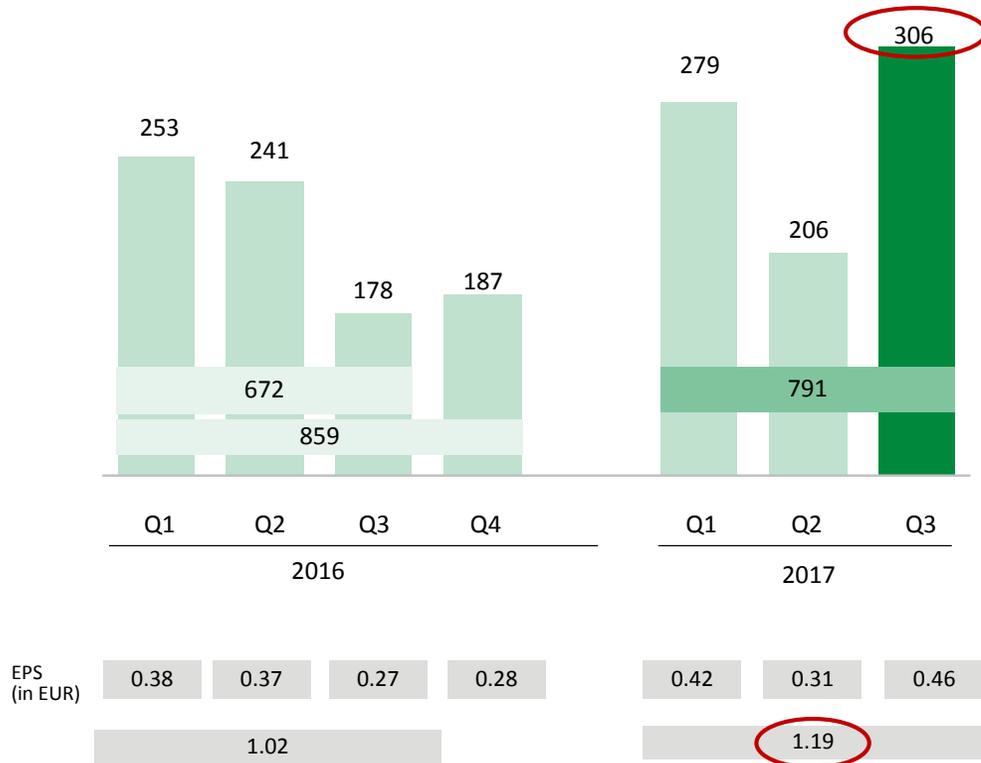
EBIT¹⁾ Q3 2016 vs. Q3 2017

in EUR mn



Net income¹⁾

in EUR mn

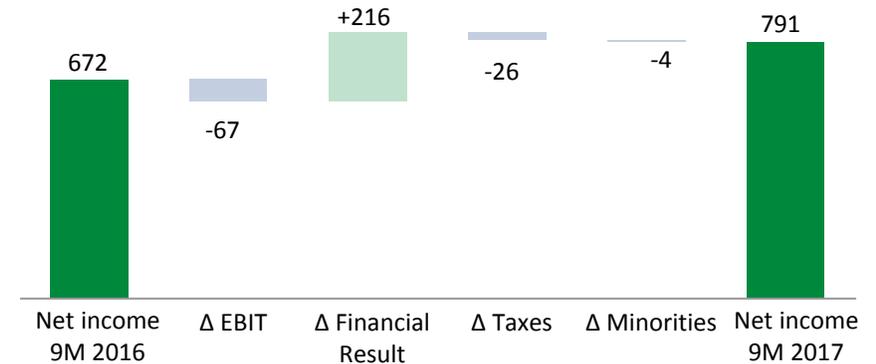


Key aspects

- ▶ Q3 2017 net income improved to EUR 306 mn
- ▶ Benefit from financial result and lower tax rate
- ▶ 9M 2017 EPS improved by 17% to EUR 1.19

Net income¹⁾ 9M 2017 vs. 9M 2016

in EUR mn

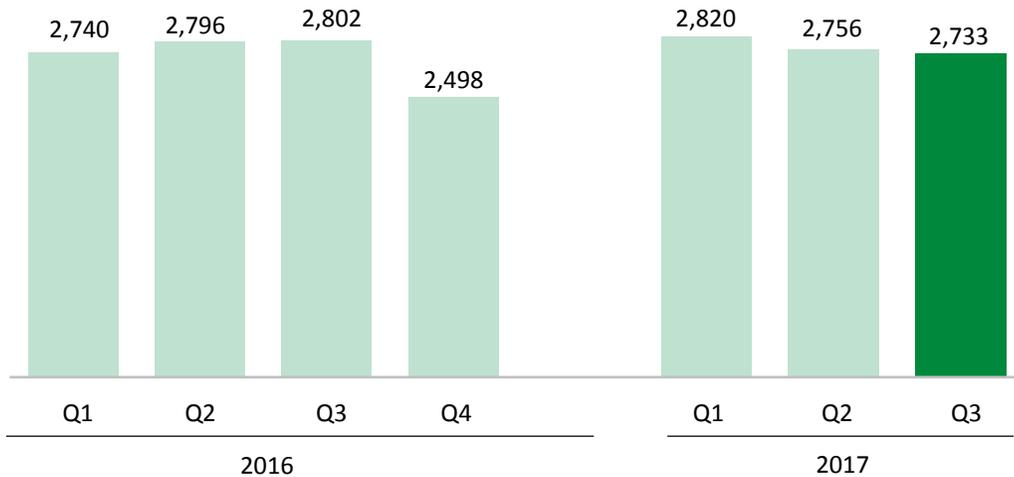


1) Attributable to the shareholders of the parent company

Working Capital ratio Q3 2017 at 19.7% – Capex ratio at 8.1%

Working capital¹⁾

in EUR mn



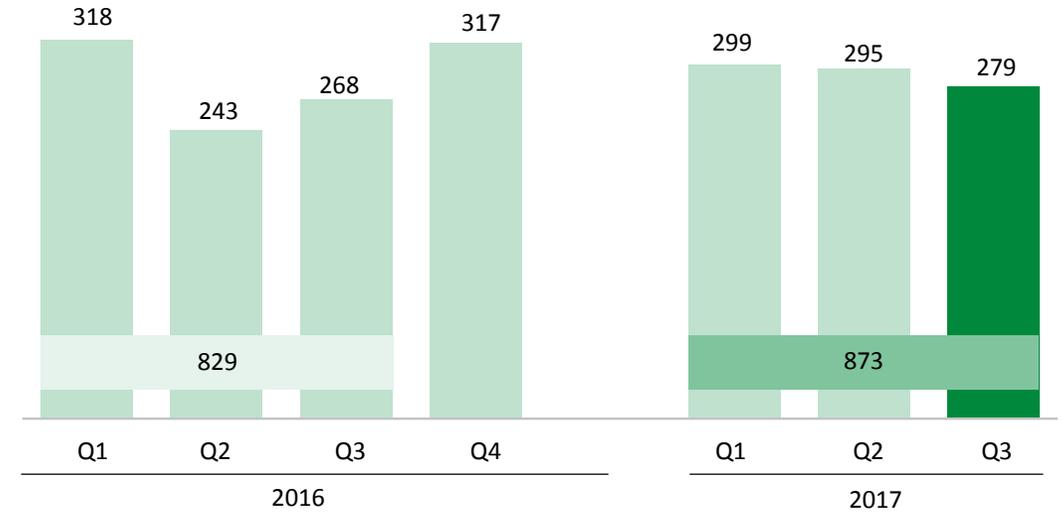
In % of sales (LTM)



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

Capex²⁾

in EUR mn



In % of sales



2) Cash view

Free Cash Flow

in EUR mn

	9M '16	9M '17	Δ	Q3 '16	Q3 '17	Δ
EBITDA	1,817	1,780	(37)	600	605	+5
Interest paid	(181)	(106)	+75	(74)	(29)	+45
Interest received	94 ¹⁾	7	(87)	21	3	(18)
Income taxes paid	(234)	(247)	(13)	(73)	(66)	+7
Working capital change	(303)	(340)	(37)	(16)	(43)	(27)
Others	112	22	(90)	70	140	70
CF from Operations	1,305	1,116	(189)	528	610	82
Capex	(829)	(873)	(44)	(268)	(279)	(11)
<i>in % of Sales</i>	8.3%	8.3%	+0.4	8.2%	8.1%	(0.1)
Others	3	1	(2)	3	2	(1)
CF from Investments	(826)	(872)	(46)	(265)	(277)	(12)
Free Cash Flow reported	479	244	(235)	263	333	(70)
Cash & cash equivalents	2,565	719		2,565	719	

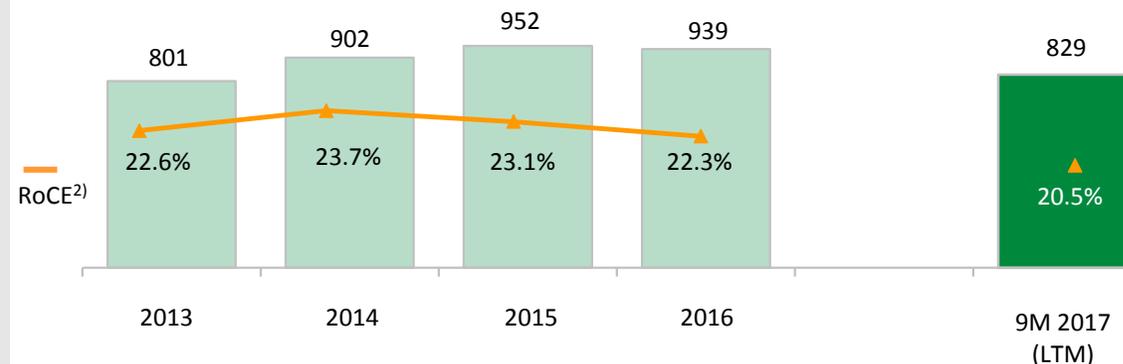
1) Includes annual cash interest on loan note receivable (+87 EURm)

Key aspects

- ▶ Solid Free Cash Flow generation in Q3 with EUR 333 mn
- ▶ Q3 FCF impacted by several non-recurring items
- ▶ Schaeffler Value Added at EUR 829 mn

Schaeffler Value Added²⁾

in EUR mn

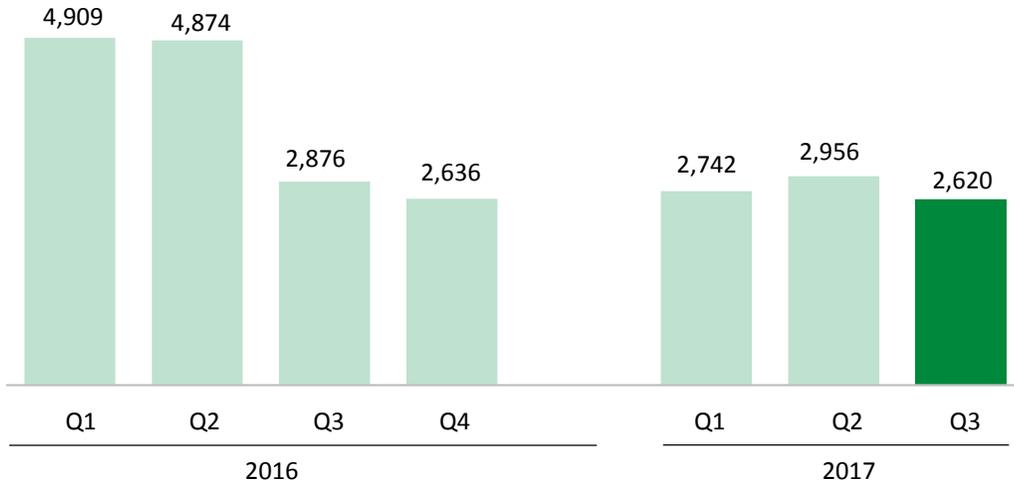


2) Before one-off effects

6 Net debt and Gearing ratio – S&P outlook raised to "positive"

Net financial debt and Gearing ratio

in EUR mn



	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Gross debt	5,602	5,446	5,441	3,707	3,689	3,355	3,339
Cash & cash equivalents	693	572	2,565	1,071	947	399	719
Gearing ratio (in%)	305	342	185	132	114	136	109

Gearing ratio: Net financial debt / Equity (excluding pensions)

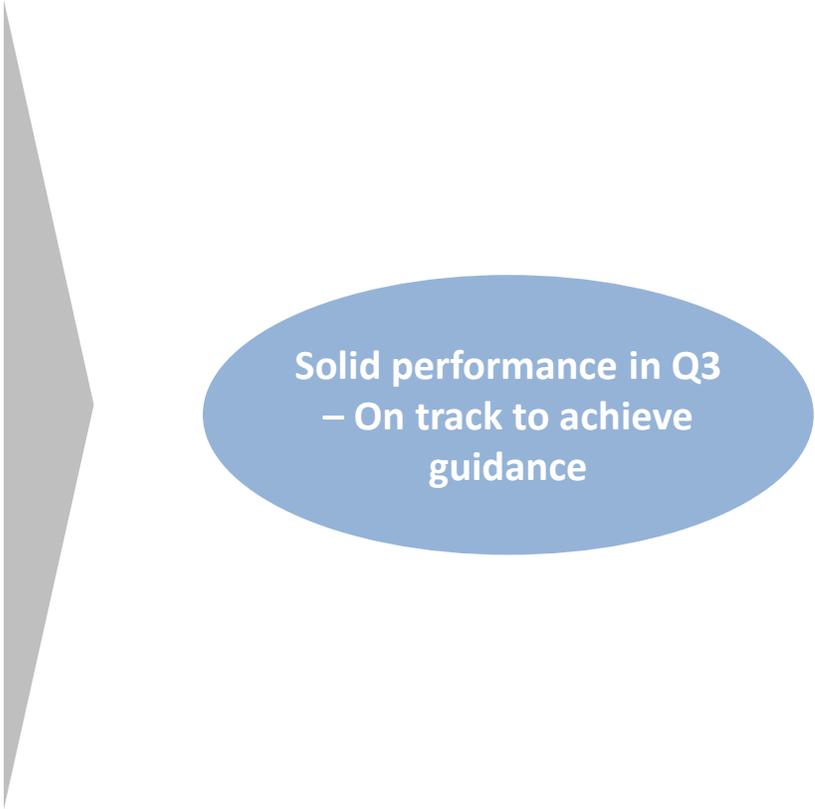
Key aspects

- ▶ Lower net debt level of EUR 2,620 mn in Q3 2017
- ▶ Gearing ratio further improved to 109%
- ▶ S&P raised the outlook for Schaeffler ("BB+") from "stable" to "positive" at end of September 2017

- 1** Overview
- 2** Business Highlights
- 3** Financial Highlights
- 4** Summary and Outlook

Solid performance in Q3 – On track to achieve guidance

- 1 +7.4% FX adjusted growth in Q3 driven by both Automotive (+6.9%) and Industrial (+9.2%)
- 2 Automotive outperformance in Q3 +4.7%, FY target ambitious but still achievable
- 3 Automotive EBIT margin back at 13.1% in Q3, Industrial EBIT margin improved to 9.0% in Q3
- 4 Free Cash Flow of EUR 333 mn generated in Q3
- 5 EPS growth after 9M at +17%
- 6 On track to achieve FY 2017 guidance



Guidance for FY 2017 confirmed

	Actual 9M 2017	Guidance for 2017 as of January 24, 2017	Guidance for 2017 as of June 26, 2017
Sales growth	5.0% FX-adjusted	4-5% FX-adjusted	4-5% FX-adjusted
EBIT margin	11.4% of sales before one-off effects	12-13% of sales before one-off effects	11-12% of sales before one-off effects
Free Cash Flow	EUR 244 mn	~ EUR 600 mn w/o external growth	~ EUR 500 mn w/o external growth

Market assumptions

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



Contacts

Renata Casaro

+49 9132 82 88125

renata.casaro@schaeffler.com

Niels Fehre, CFA

+49 9132 82 85805

niels.fehre@schaeffler.com

Jens-Philipp Briemle

+49 9132 82 86377

jens-philipp.briemle@schaeffler.com

www.schaeffler.com/ir

Automotive sales growth¹⁾ by region

	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2' 17	Q3' 17
Europe	+6.6%	+0.2%	+3.9%	+3.5%	-5.8%	+2.3%
Americas	+2.9%	-1.2%	+1.6%	+7.0%	+1.9%	+3.3%
Greater China	+11.6%	+38.9%	+29.9%	+21.9%	+23.2%	+26.3%
Asia/Pacific	0.7%	+3.7%	+6.8%	+3.7%	+10.2%	+8.5%
Total	+5.8%	+5.1%	+8.2%	+7.0%	+1.6%	+6.9%

Sales growth¹⁾ by Automotive business division

	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2' 17	Q3' 17
Transmission Systems	+3.4%	+4.4%	+8.3%	+6.4%	+6.3%	+8.1%
Engine Systems	+4.6%	+2.4%	+6.1%	+8.1%	+1.6%	+8.3%
Chassis Systems	+8.4%	+5.3%	+6.7%	+4.2%	-0.7%	+4.2%
Aftermarket	+11.3%	+9.8%	+12.4%	+9.9%	-7.5%	+4.8%
Total	+5.8%	+5.1%	+8.2%	+7.0%	+1.6%	+6.9%

1) FX-adjusted

Industrial sales growth¹⁾ by region

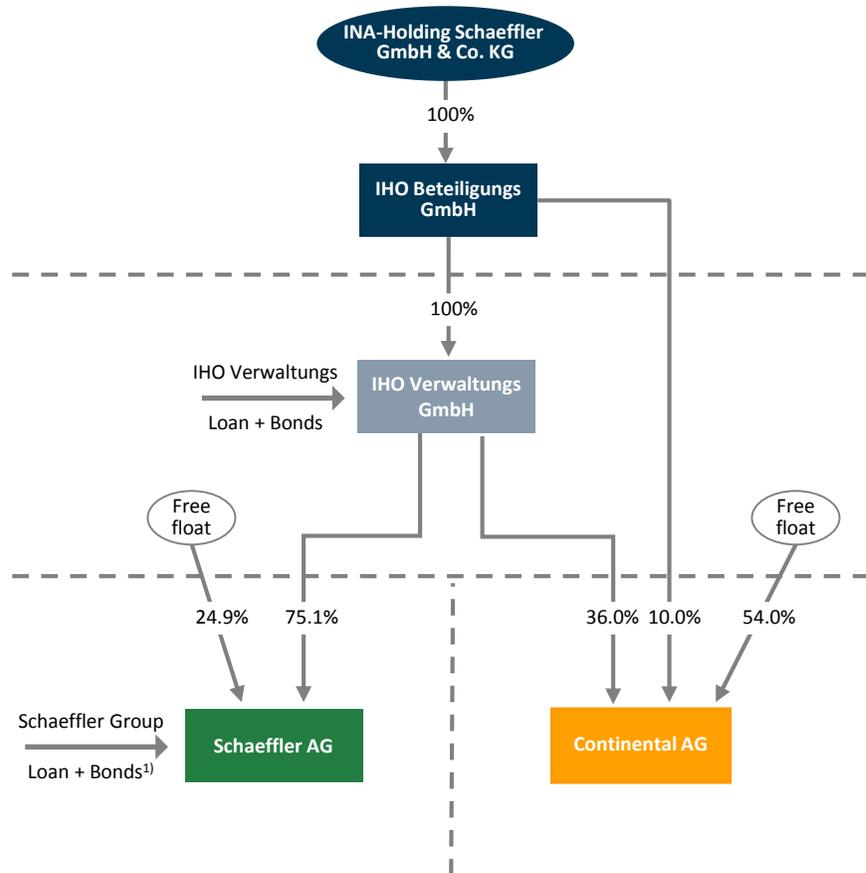
	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17
Europe	+1.5%	-2.4%	-2.3%	-1.6%	+0.6%	+3.1%
Americas	-7.1%	-4.7%	+1.5%	+0.1%	+5.1%	+3.4%
Greater China	-21.6%	-21.1%	-13.7%	+10.8%	+26.3%	+47.5%
Asia/Pacific	-6.0%	-6.3%	+0.0%	-3.5%	+0.1%	+9.3%
Total	-4.3%	-6.2%	-3.2%	+0.2%	+4.5%	+9.2%

Industrial Distribution sales growth¹⁾

	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17
Industrial Distribution	-7.8%	-4.2%	-3.6%	+0.9%	+4.6%	+2.7%
Industrial Total	-4.3%	-6.2%	-3.2%	+0.2%	+4.5%	+9.2%

Corporate structure (simplified)

as of September 30, 2017



1) All outstanding bonds are issued by Schaeffler Finance B.V., a 100% subsidiary of Schaeffler AG.

Financing structure

in EUR²⁾ mn, as of September 30, 2017

IHO Verwaltungs GmbH

	Debt instrument	Nominal (USD mn)	Nominal (EUR mn)	Interest	Maturity	Rating (F/M/S) ⁴⁾
Loans	Term loan (EUR)	-	600	E+2.75%	Sep-21	not rated
	RCF (EUR 200 mn)	-	-	E+2.75%	Sep-21	not rated
Bonds	2.75% SSNs 2021 (EUR)	-	750	2.75%	Sep-21	BB+/Ba1/BB-
	4.125% SSNs 2021 (USD)	500	423 ²⁾	4.125%	Sep-21	BB+/Ba1/BB-
	3.25% SSNs 2023 (EUR)	-	750	3.25%	Sep-23	BB+/Ba1/BB-
	4.50% SSNs 2023 (USD)	500	423 ²⁾	4.50%	Sep-23	BB+/Ba1/BB-
	3.75% SSNs 2026 (EUR)	-	750	3.75%	Sep-26	BB+/Ba1/BB-
	4.75% SSNs 2026 (USD)	500	423 ²⁾	4.75%	Sep-26	BB+/Ba1/BB-
Total			4,120	Ø 3.51%³⁾		

Schaeffler Group

	Debt instrument	Nominal (USD mn)	Nominal (EUR mn)	Interest	Maturity	Rating (F/M/S) ⁴⁾
Loans	Term loan (EUR)	-	1,000	E+1.20%	Jul-21	not rated
	RCF (EUR 1,300 mn)	-	350	E+0.90%	Jul-21	not rated
Bonds	2.50% SSNs 2020 (EUR)	-	400	2.50%	May-20	BBB-/Baa3/BB+
	3.50% SSNs 2022 (EUR)	-	500	3.50%	May-22	BBB-/Baa3/BB+
	4.75% SSNs 2023 (USD)	600	508 ²⁾	4.75%	May-23	BBB-/Baa3/BB+
	3.25% SSNs 2025 (EUR)	-	600	3.25%	May-25	BBB-/Baa3/BB+
Total			3,358	Ø 2.65%³⁾		

2) EUR/USD = 1.1814.

3) Incl. RCF commitment fee.

4) Fitch Ratings / Moody's Investor Services / Standard & Poor's.