

Press and IR release

Schaeffler launches program RACE

HERZOGENAURACH, 2019-03-06.

- **Program designed to sustainably increase efficiency and optimize portfolio of Automotive OEM division**
- **Safeguarding and strengthening long-term value added in three stages (2019-2024)**
- **Initial stage focuses on six earnings levers**
- **Stage I measures aimed at improving earnings by approximately 90 million euros (EBIT margin 100 basis points)**
- **Medium-term target is an EBIT margin percentage before special items in the high single-digits**

During its annual press conference today, Schaeffler AG announced its **program RACE**, which is designed to sustainably increase the Automotive OEM division's efficiency and optimize its portfolio. The abbreviation RACE stands for "Regroup Automotive for higher Margin and Capital Efficiency". Within Schaeffler AG's Board of Managing Directors, responsibility for the program rests with Matthias Zink, CEO of the Automotive OEM division. Like the approach taken in the Industrial division's program CORE, RACE consists of three stages. The initial stage of the program, which started on January 1, 2019, covers the next 18 to 24 months.

The program was made necessary by a number of external and internal factors that had significantly weakened the division's EBIT margin before special items for 2018.

To address these, the overriding goal of RACE is to sustainably improve the margin over the next three to four years and to generate an EBIT margin percentage in the high single digits going forward.

The division plans to achieve this margin improvement by a collection of measures focused on **six earnings levers**: (1) optimizing the footprint in Europe, (2) optimizing the business portfolio, (3) consistently reducing overhead costs, increasing (4) R&D efficiency and (5) capital efficiency, and (6) sustainably improving order intake. The measures affect all four business divisions (Engine Systems, Transmission Systems, E-Mobility, and Chassis Systems) as well as the corporate functions internal and external to the division and will primarily impact Europe.

"Our RACE measures and decisions address the pressure on margins in certain product areas as well as the decline in gross margins," Matthias Zink said. "At the same time, we want to further reduce the large extent to which we rely on the internal combustion engine while – being an innovative technology partner to our

customers – utilizing the opportunities offered by the fields of hybridization and electrification much more extensively. Our discipline regarding cost and capital in that process will be much more rigorous. Additionally, we will reduce the number of products that generate low margins and expand the proportion of higher-margin products. Products that are being phased out or that do not generate sufficient returns will be reviewed closely. We will also allocate our R&D expenditures and our capital in a manner ensuring that high-return products and system solutions as well as strategic future-oriented areas such as E-Mobility and autonomous driving will benefit the most.”

As part of the first stage of program RACE, the division plans to further consolidate its European plant network. This will likely affect five European locations where the Automotive OEM division maintains production sites. All of the planned measures will be discussed with employee representatives in advance as agreed in last year’s Future Accord. Both sides are striving for socially responsible solutions without layoffs or site closures. In light of this, the consolidation will primarily involve disposing of or combining activities. At the present time it is anticipated that these changes will result in a reduction by about 900 positions, including about 700 positions in Germany. These numbers include the disposal of non-core activities in the Engine and Transmission Systems business divisions. The R&D ratio (R&D expenditures as a percentage of sales) of the Automotive OEM division will be restricted to 8 to 8.5 percent in 2019 and 2020 taking into account IFRS 15. Furthermore, capex for the same period will be limited to no more than 900 million euros p.a. Finally, the division will increase its order intake in the E-Mobility and chassis mechatronics units to 1.5 to 2 billion euros p.a. over the next three years.

Klaus Rosenfeld, CEO of Schaeffler AG, stated: “Having successfully completed the first two stages of the efficiency program CORE in the Industrial division two years earlier than originally anticipated, we are launching a third stage – called Fit – and have now turned our main focus to increasing the efficiency of our Automotive OEM division. I am confident that we will be able to transfer our experience with CORE to the conceptual design and implementation of RACE. The program RACE represents another important building block in the transformation of the Schaeffler Group. The focus is on increasing efficiency and optimizing the portfolio. We are fully determined to consistently execute the program which allows us to access new opportunities for growth. In that process, we will mainly rely on our technological expertise and our innovative strength.”

Forward-looking statements and projections

Certain statements in this press release are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions

could adversely affect the outcome and financial consequences of the plans and events described herein. No one undertakes any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. You should not place any undue reliance on forward-looking statements which speak only as of the date of this press release. Statements contained in this press release regarding past trends or events should not be taken as representation that such trends or events will continue in the future. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that Schaeffler, or persons acting on its behalf, may issue.

Schaeffler Group – We pioneer motion: The Schaeffler Group has been driving forward groundbreaking inventions and developments in the field of motion technology for 80 years. With innovative technologies, products, and services for electric mobility, CO₂-efficient drives, chassis solutions and renewable energies, the company is a reliable partner for making motion more efficient, intelligent, and sustainable – over the entire life cycle. Schaeffler describes its comprehensive range of products and services by means of eight product families: From bearing solutions and all types of linear guidance systems through to repair and monitoring services. Schaeffler is with around 110,000 employees and more than 250 locations in 55 countries, one of the world's largest family-owned companies and one of Germany's most innovative companies.

CONTACT:

Thorsten Möllmann
Senior Vice President Global Communications & Branding
Schaeffler AG
Herzogenaurach
Germany
Tel.: +49 9132 82-5000
E-Mail: presse@schaeffler.com

Dr. Axel Lüdeke
Head of Business and Financial Communications & PR
Schaeffler AG
Herzogenaurach
Germany
Tel.: +49 9132 82-5000
E-Mail: presse@schaeffler.com

Renata Casaro
Head of Investor Relations
Schaeffler AG
Herzogenaurach
Germany
Tel.: +49 9132 82-4440
E-Mail: ir@schaeffler.com

Jens Briemle
Investor Relations
Schaeffler AG
Herzogenaurach
Germany
Tel.: +49 9132 82-4440
E-Mail: ir@schaeffler.com