



# Schaeffler Group back to profitable growth

## Full Year Results 2010

Analyst Conference  
March 29<sup>th</sup>, 2011

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

# Agenda

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| <b>2</b> | Financials 2010 | K. Rosenfeld            |
| <b>3</b> | Refinancing     | K. Rosenfeld            |
| <b>4</b> | Outlook 2011    | Dr. J. Geißinger        |

# Worldwide leader in bearings and automotive components

## 3 strong brands

SCHAEFFLER



- Clutch systems
- Transmission systems
- Dual mass flywheels
- Torque converters



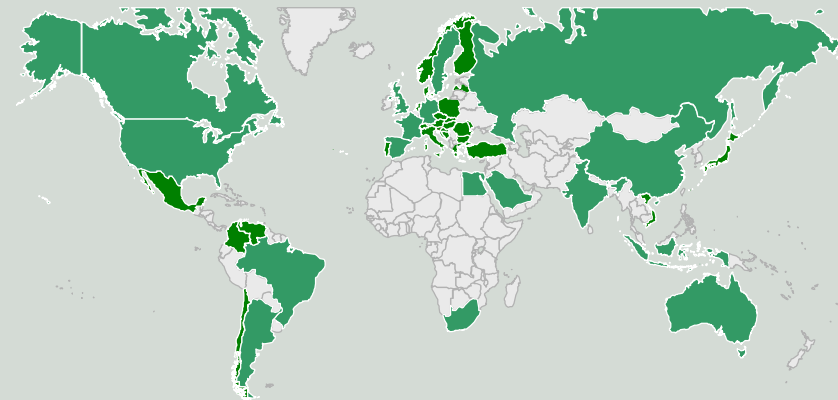
- Rolling and plain bearings, linear guides
- Engine systems
- Precision components



- Rolling bearings for industrial and automotive applications
- High-precision bearings
- Aerospace

## Global Presence

Employees: approx. 67,000 worldwide  
Locations: 180 worldwide



1998    1999    2000    2001    2002    2003    2004    2005    2006    2007    2008    2009    2010



## Schaeffler at a glance

Sales

€9.5 bn

EBIT margin

16%

Global technology manufacturer with leading market positions in various industrial sectors and in the automotive industry

Well-balanced business mix in OEM and aftermarket

From standard catalogue products to highly engineered solutions

High value-added due to integrated manufacturing processes, superior product quality and outstanding innovation platform

Worldwide presence with excellent positioning in growth markets

Strong long-term track record of achieving above average growth and sector leading profitability

# We create value through our unique skill-set and know-how in ...



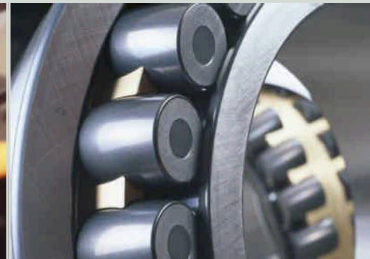
... basic materials (steel)



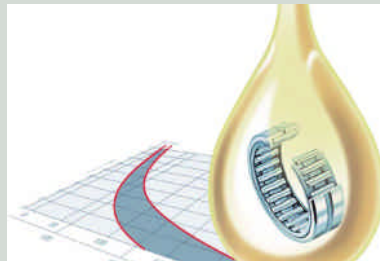
... antifriction bearing design



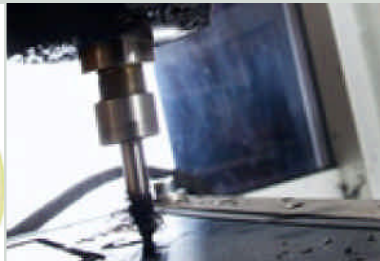
... inhouse tools design



... surface treatment



... tribology



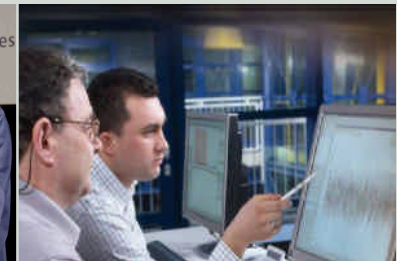
... low cost precision manufacturing



... application engineering expertise

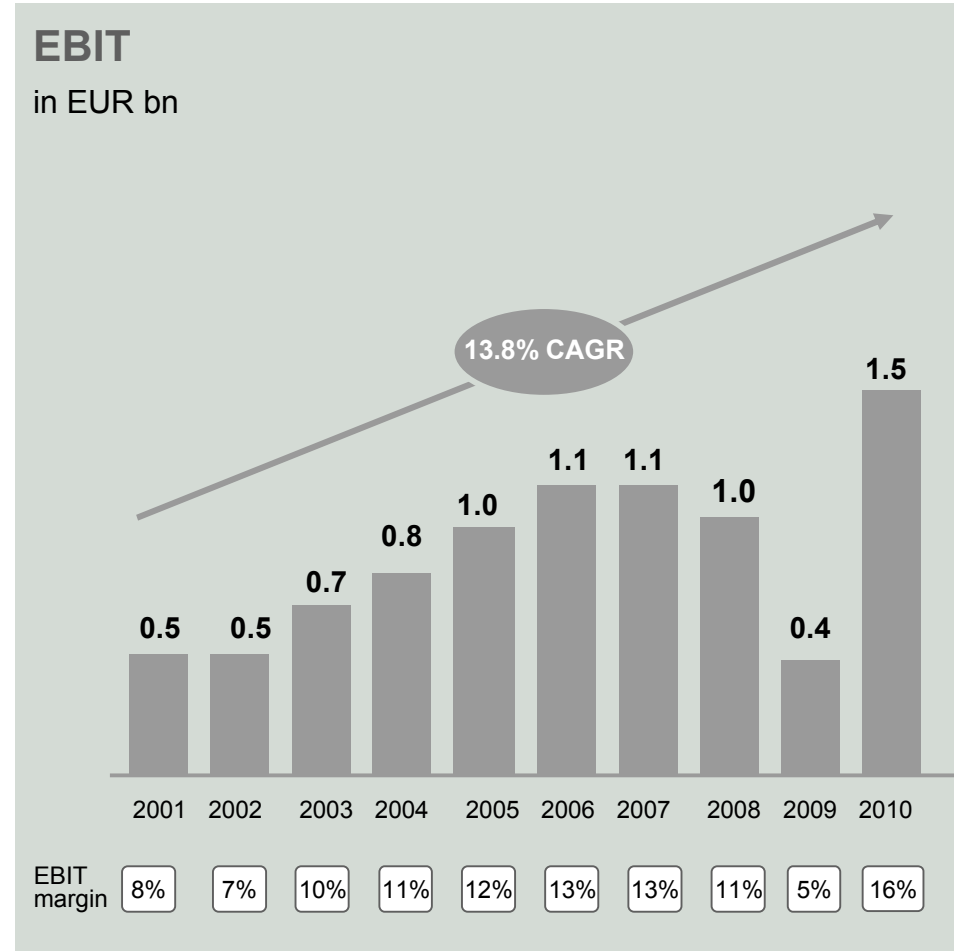
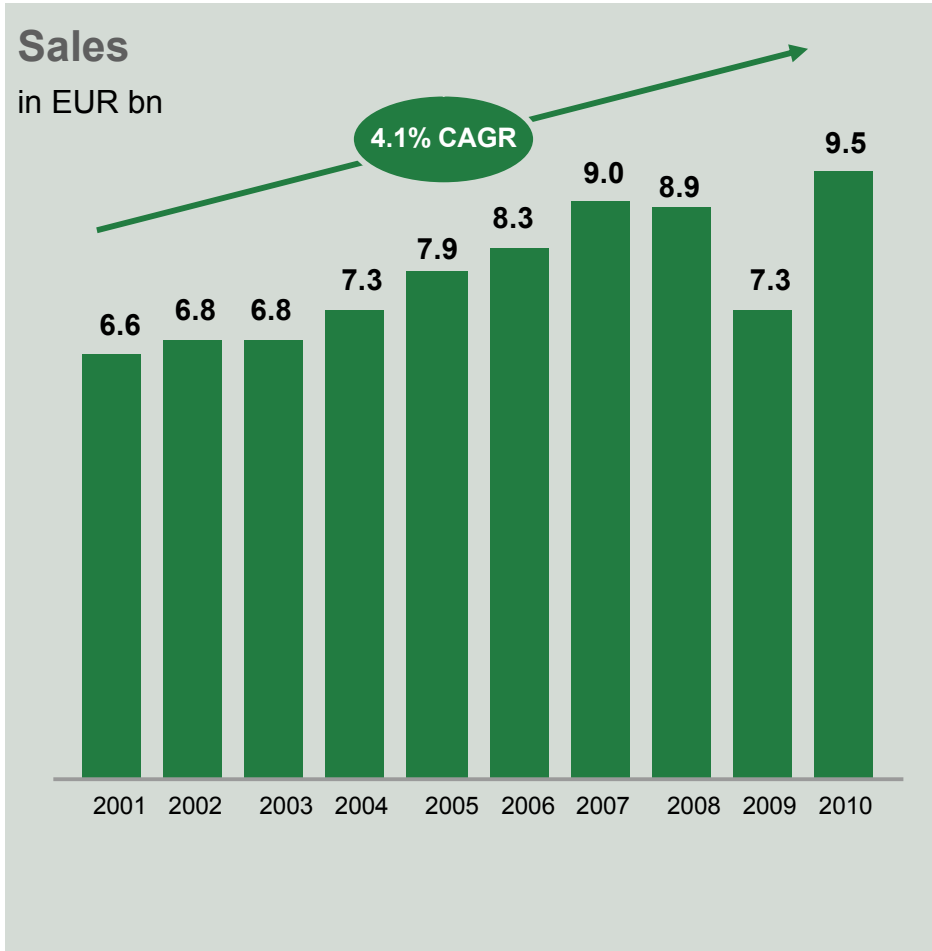


... aftermarket services



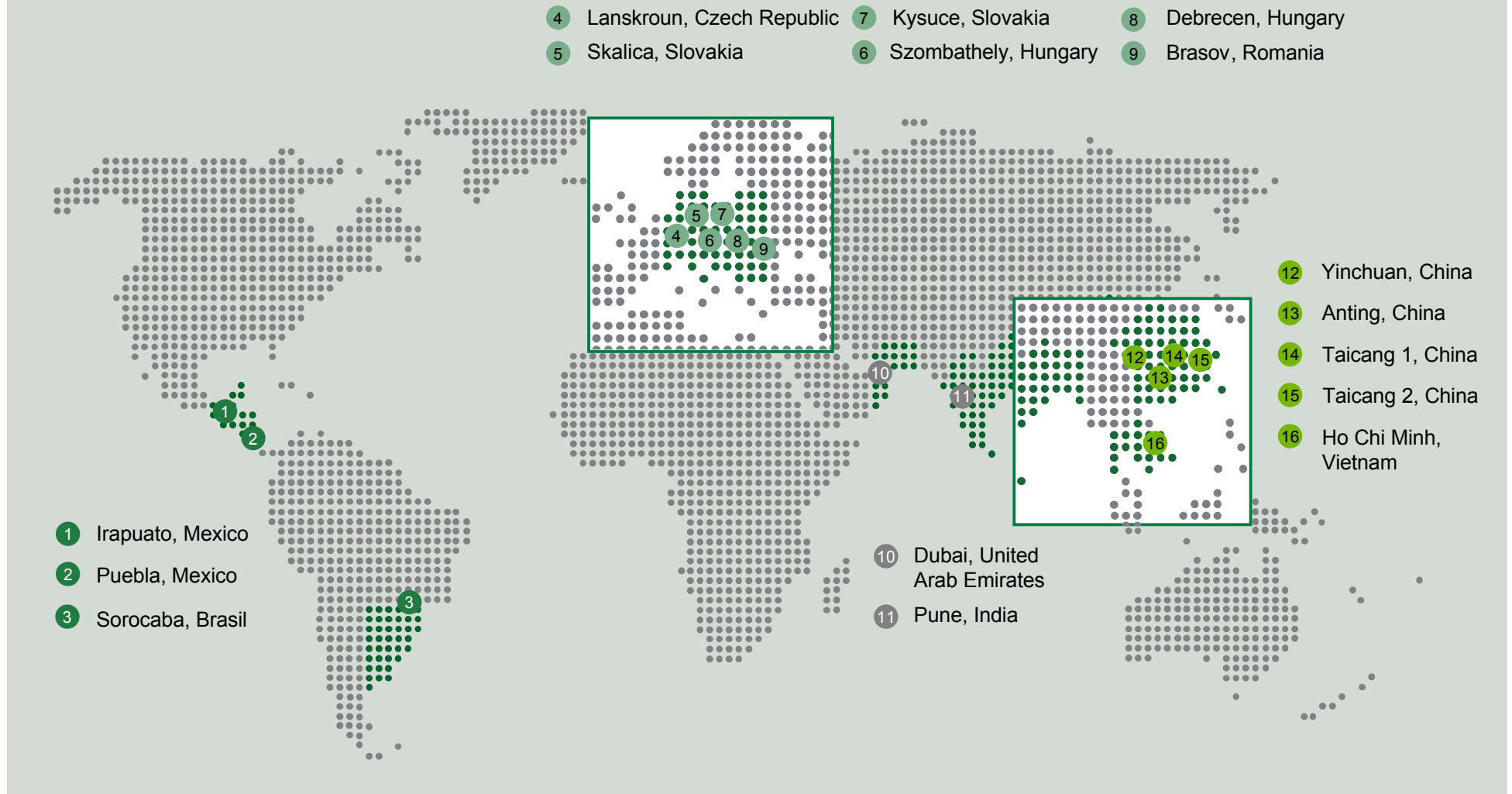
... condition monitoring

# We have a strong track record of profitable growth



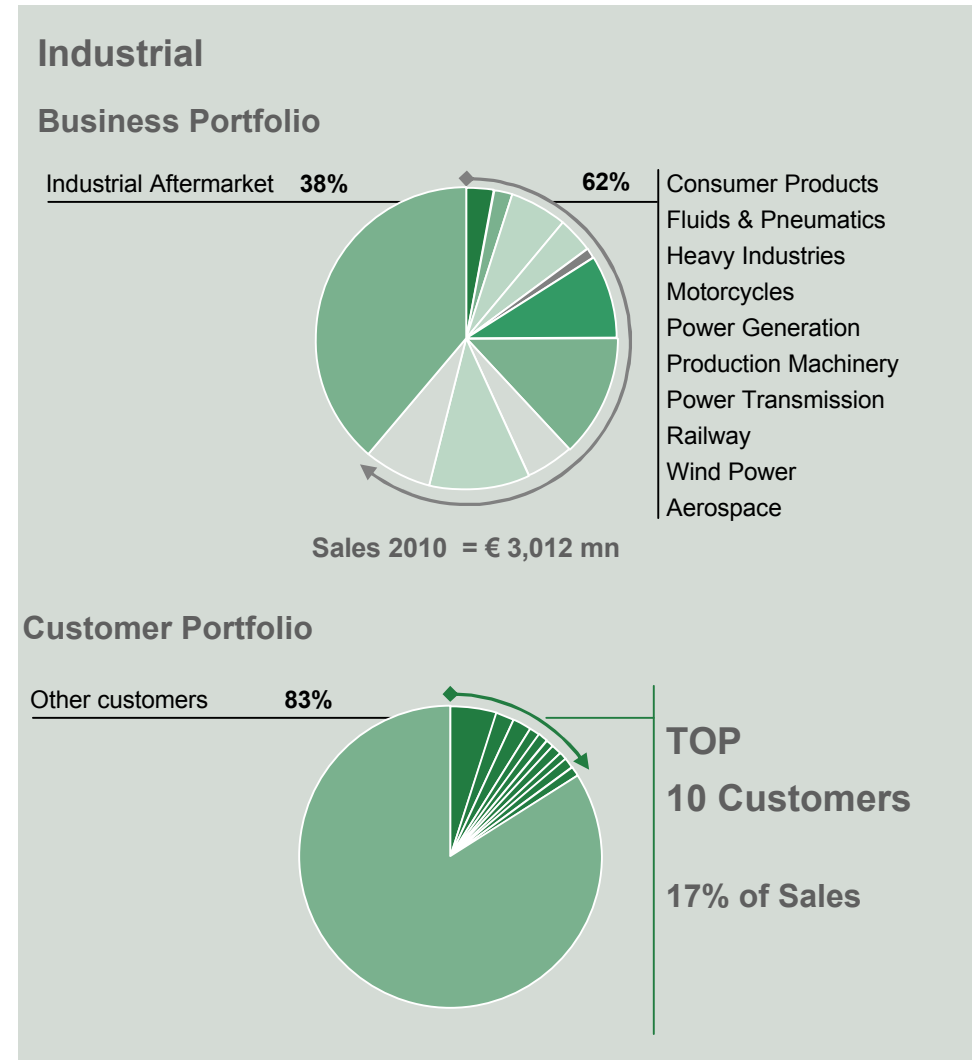
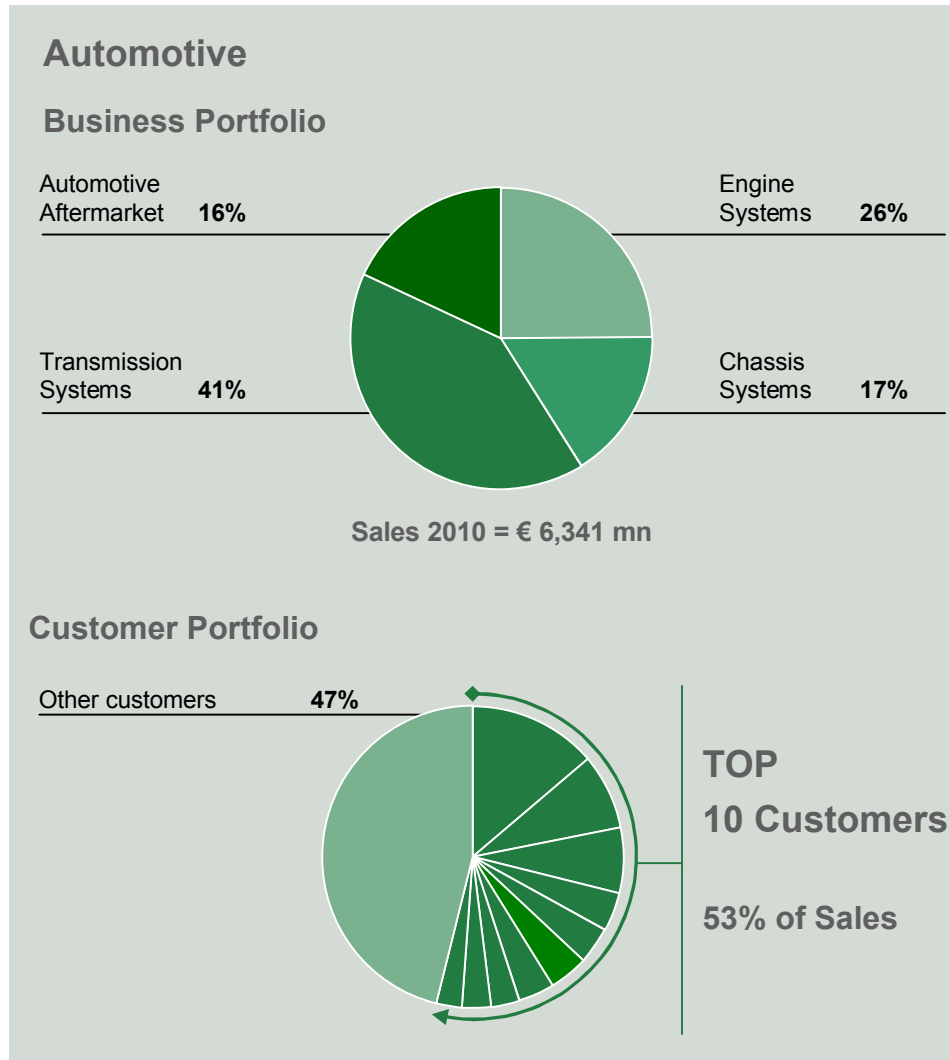
# We are growing in all regions

## New plants 2001 – 2010





# We are well diversified



## Highlights 2010 – Automotive division



**Market growth 2010: 25 %**  
**Schaeffler sales growth 2010: 34 %**

**Growth drivers were North America and Asia Pacific, Engine and Chassis with overproportional sales increase**

**Schaeffler contributes strongly to key industry theme: "Enhancing efficiency of combustion engines"**

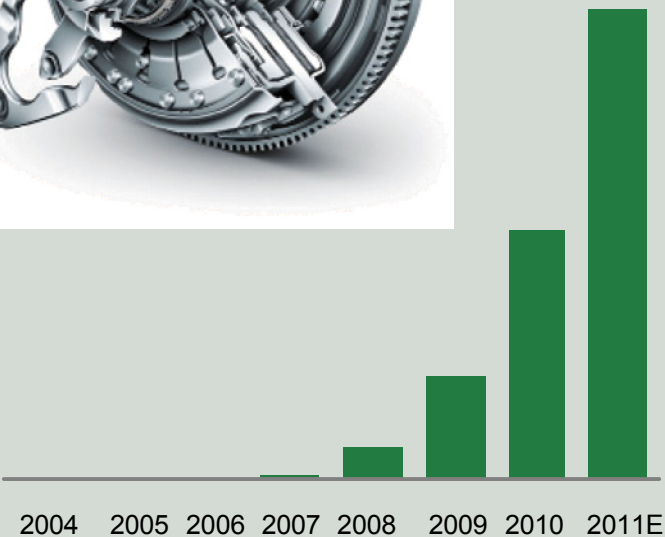
**Success story – 25 years dual mass flywheel**

**Further growth drivers: dry dual clutch system / UniAir**

**Schaeffler Concept Cars – "Co<sub>2</sub>ncept-10%" and "Schaeffler Hybrid"**

## Dry dual clutch system – An innovation success story

### Production volumes



- 2004: - Project kick-off in R&D
- 2007: - Start of production  
- Market launch with first OEM customer (VW)
- 2008: - First full year of production
- 2010: - Expansion of production capacities in Hungary and China  
- New OEM customers (e.g. Fiat)
- 2011: - Further expansion of production capacities in North America and Mexico  
- New OEM customers  
- Production of one million dry dual clutch systems

## Highlights 2010 – Industrial division

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<b>Market growth 2010:</b>	<b>7 %</b>
<b>Schaeffler sales growth 2010:</b>	<b>20 %</b>

**Strongest sales growth in wind power in China as well as in Industrial Aftermarket**

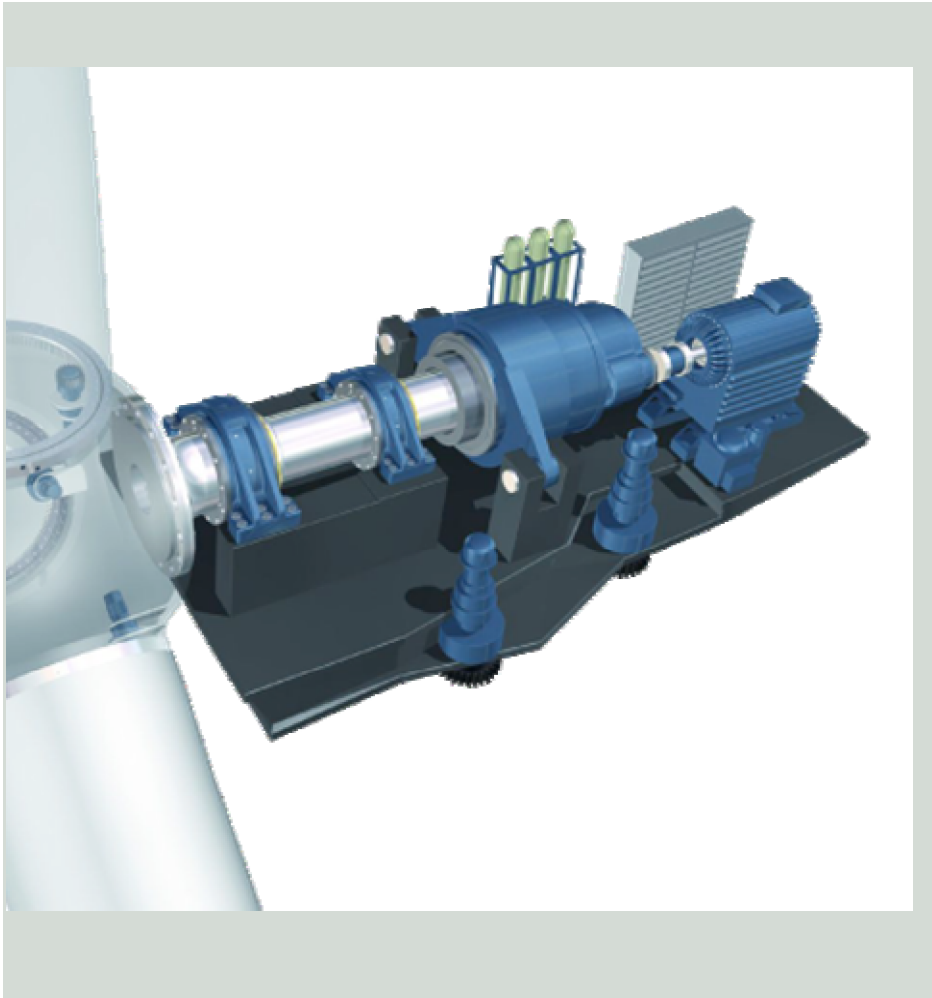
**Sales in Asia Pacific now represent 31% of total Industrial sales**

**All businesses about to reach full capacity levels**

**Start of mass production of Generation C ball bearings**

**Wind Power: Supplier Awards in 2010 from Goldwind (China) and Clipper Windpower (USA)**

## Industrial division – "Growing with the wind"




- ▶ Strong double digit market growth in wind power market expected over the next years
- ▶ Schaeffler expects to outgrow the market:
  - ▶ Market leader in bearings for the wind power market
  - ▶ Excellently positioned to service the fast growing Chinese market
  - ▶ Covering the entire product portfolio, delivering up to 30 bearing parts in a wind turbine
  - ▶ Providing innovative products for new market trends (e.g. large single-bearing solutions for direct drive or hybrid solutions)
  - ▶ Meeting today's market needs with our comprehensive system knowledge in engineering, prototyping, assembly and condition monitoring

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| <b>4</b> | Outlook 2011           | Dr. J. Geißinger    |

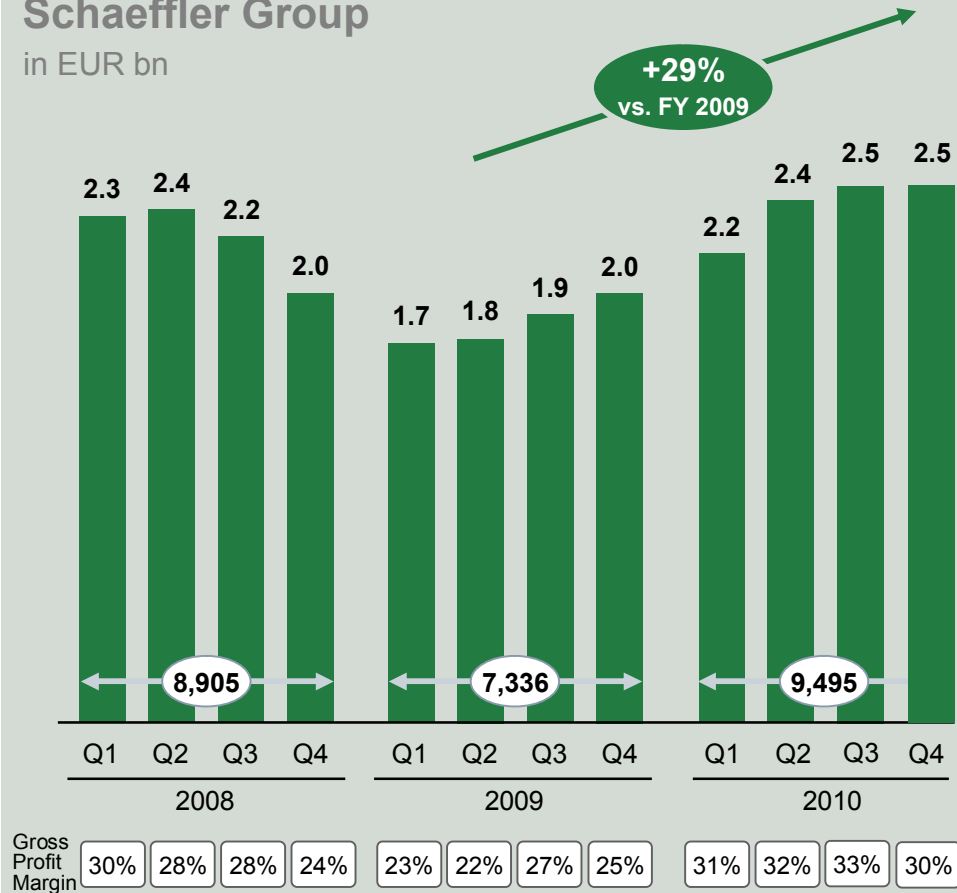
## Strong performance on all levels

		<b>2010</b> in EUR mn	<b>2009</b> in EUR mn	 in EUR mn
<b>1   Strong sales growth</b>	<b>Sales</b>	<b>9,495</b>	7,336	<b>+2,159</b>
<b>2   Excellent operating result</b>	<b>EBIT</b>	<b>1,509</b>	446	<b>+1,063</b>
<b>3   Positive net income</b>	<b>Net income</b>	<b>63</b>	-1,204	<b>+1,267</b>
<b>4   Sustainable positive free cash flow</b>	<b>Free cash flow</b>	<b>566</b>	-1,400	<b>+1,966</b>
<b>5   Net debt reduced</b>	<b>Net debt</b>	<b>5,744</b>	6,131	<b>-387</b>

# 1 Q4 sales in line with positive trend

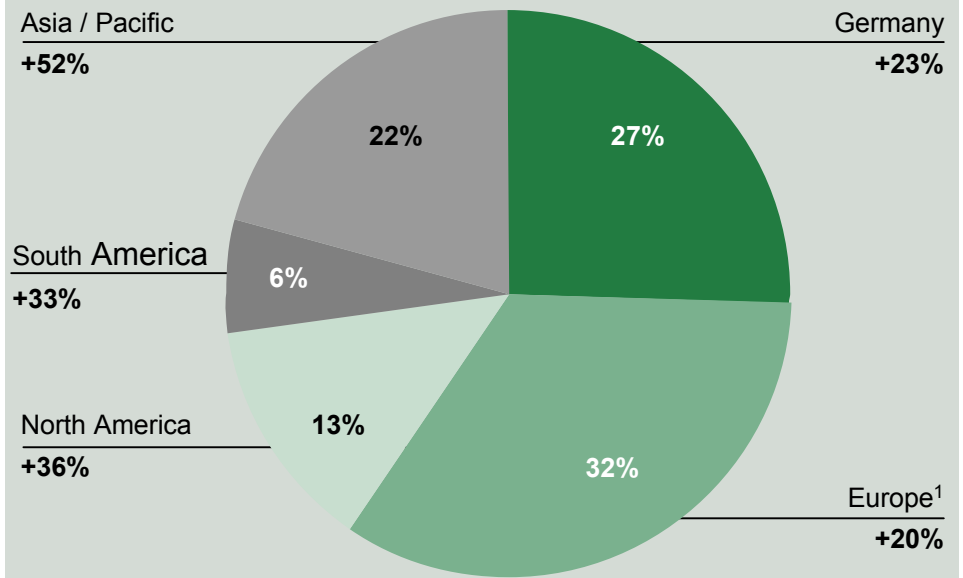
## Sales Schaeffler Group

in EUR bn



## Sales by region Schaeffler Group

share in % / vs. 2009 in %



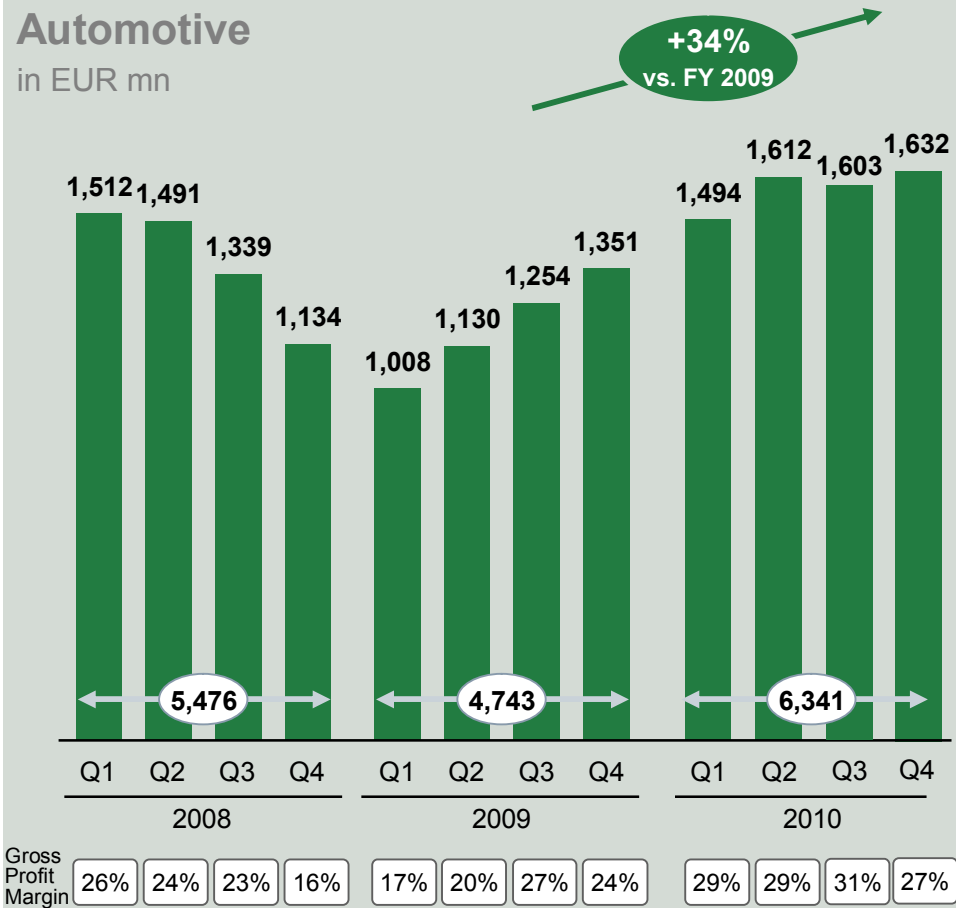
1) without Germany



# 1 Automotive on a high level – Industrial catching up

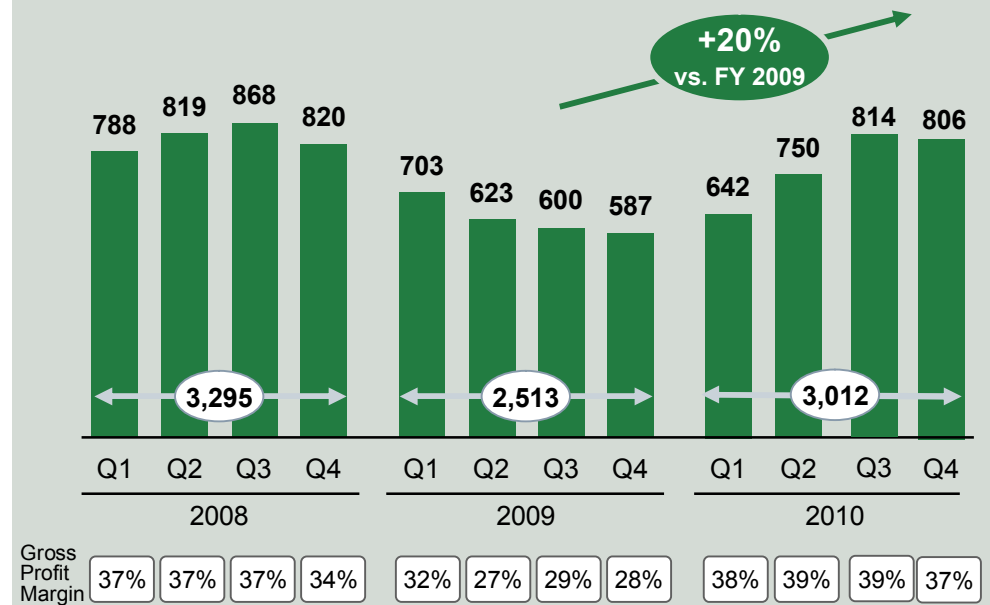
## Sales Automotive

in EUR mn

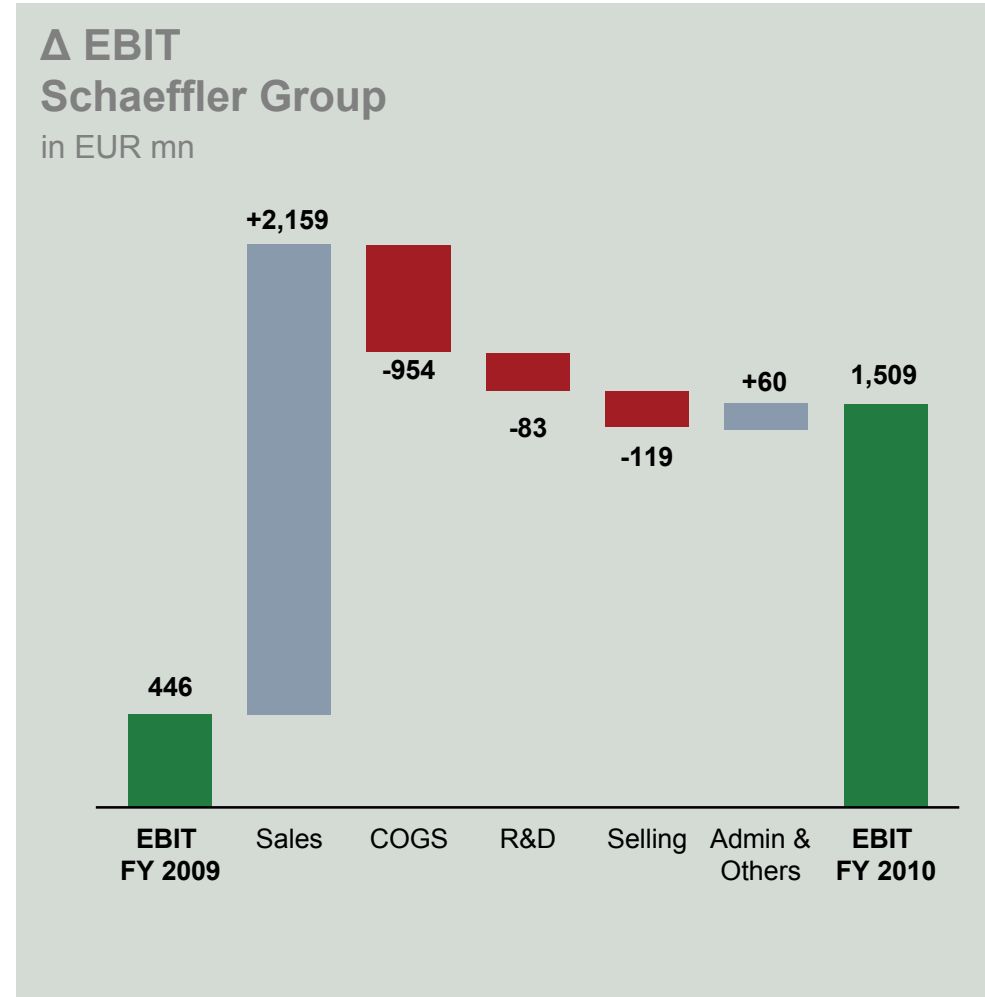
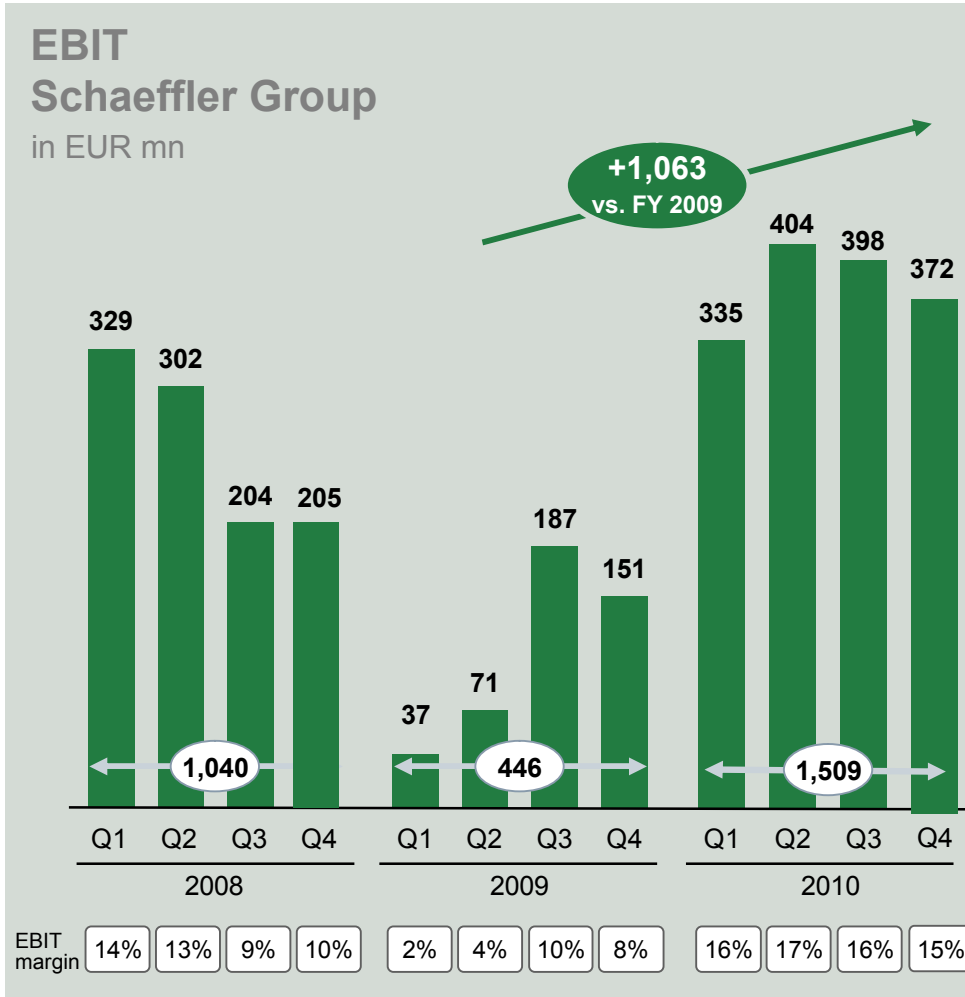


## Sales Industrial

in EUR mn



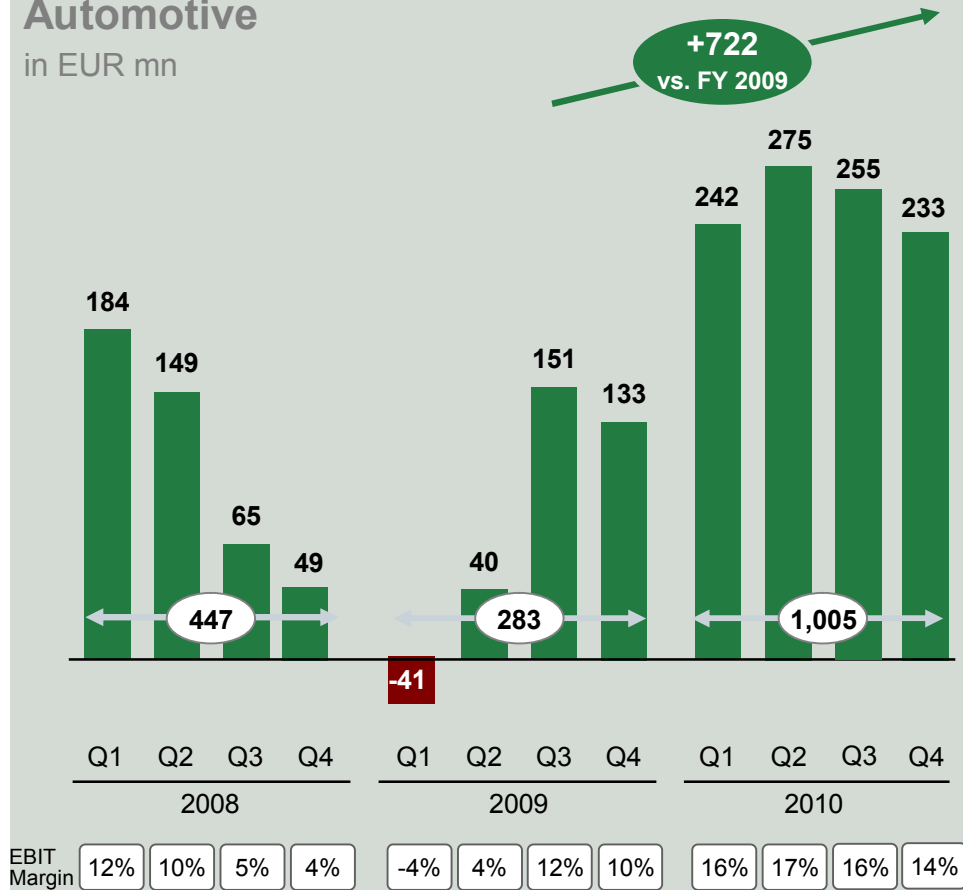
## ② EBIT margin around 16% at record level



## ② Industrial division with significant improvement of results

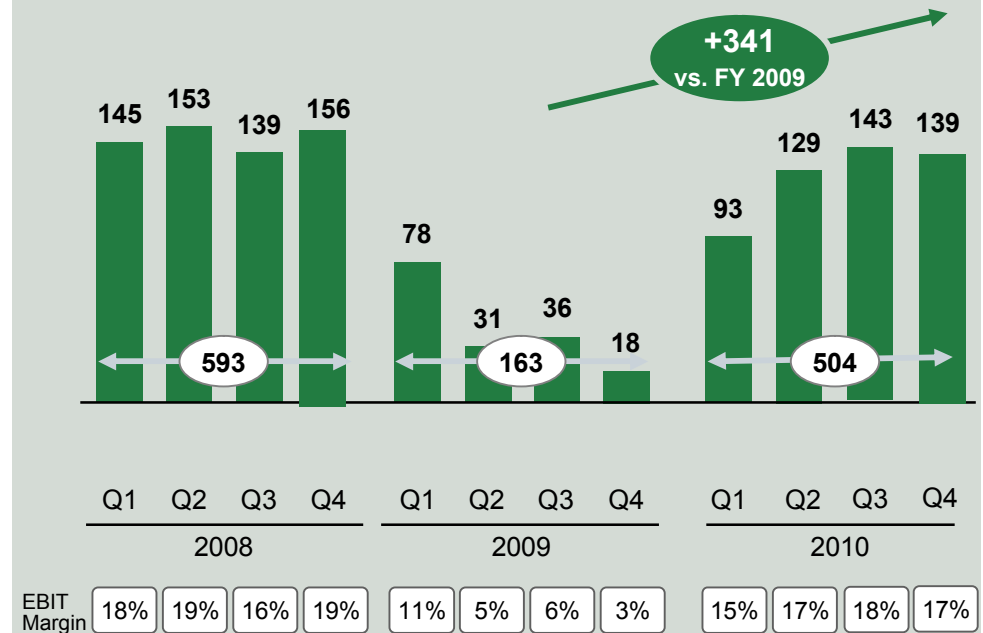
### EBIT Automotive

in EUR mn

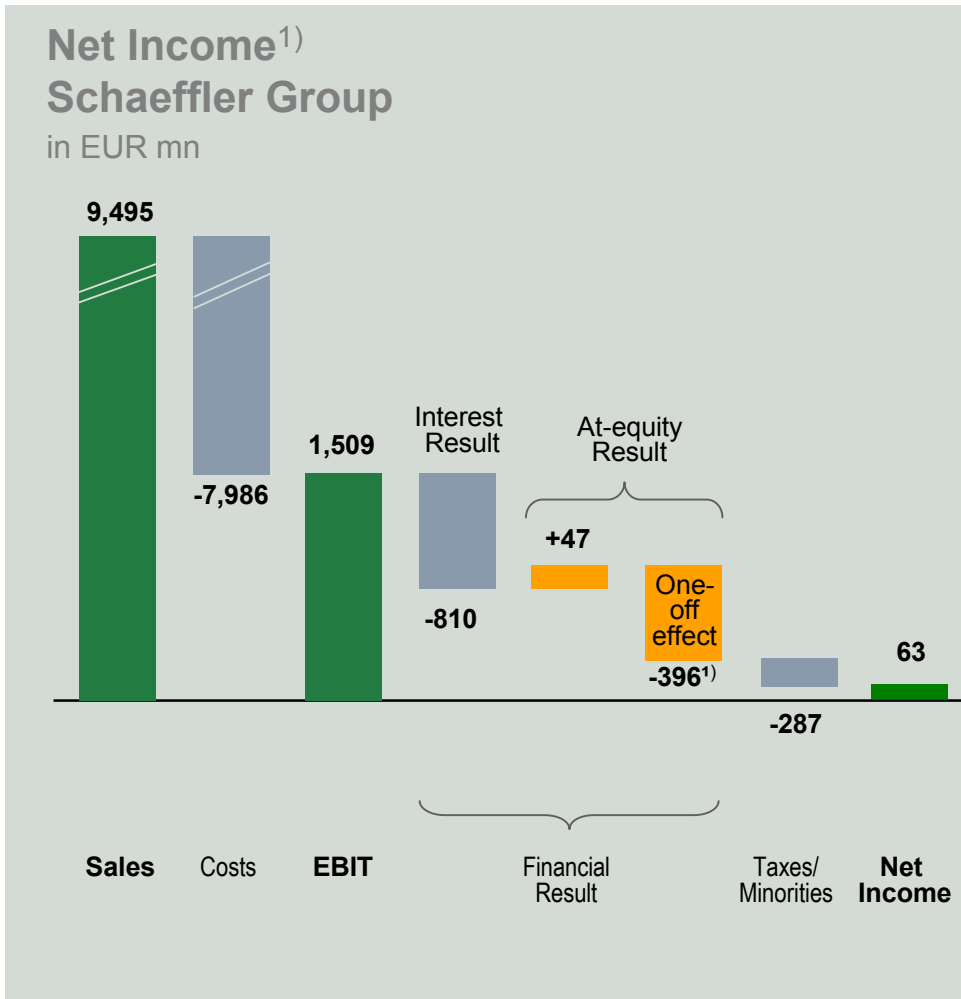


### EBIT Industrial

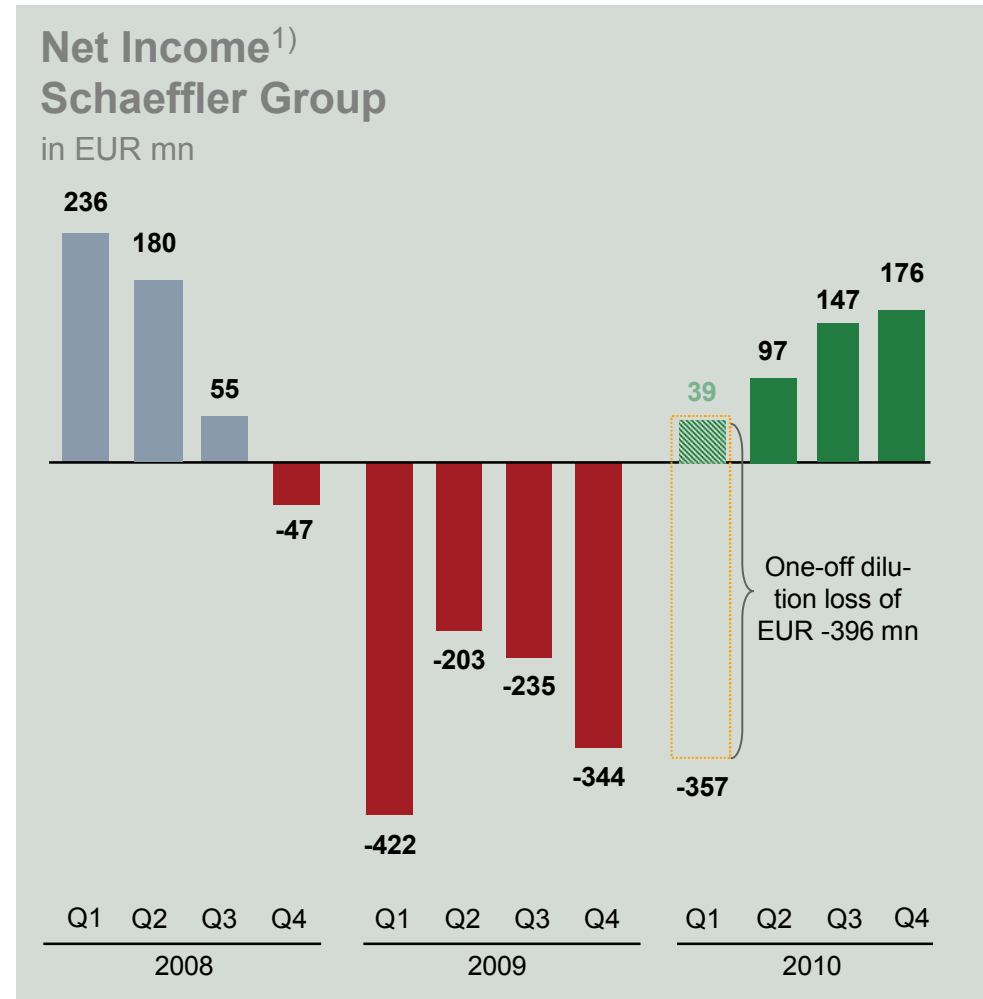
in EUR mn



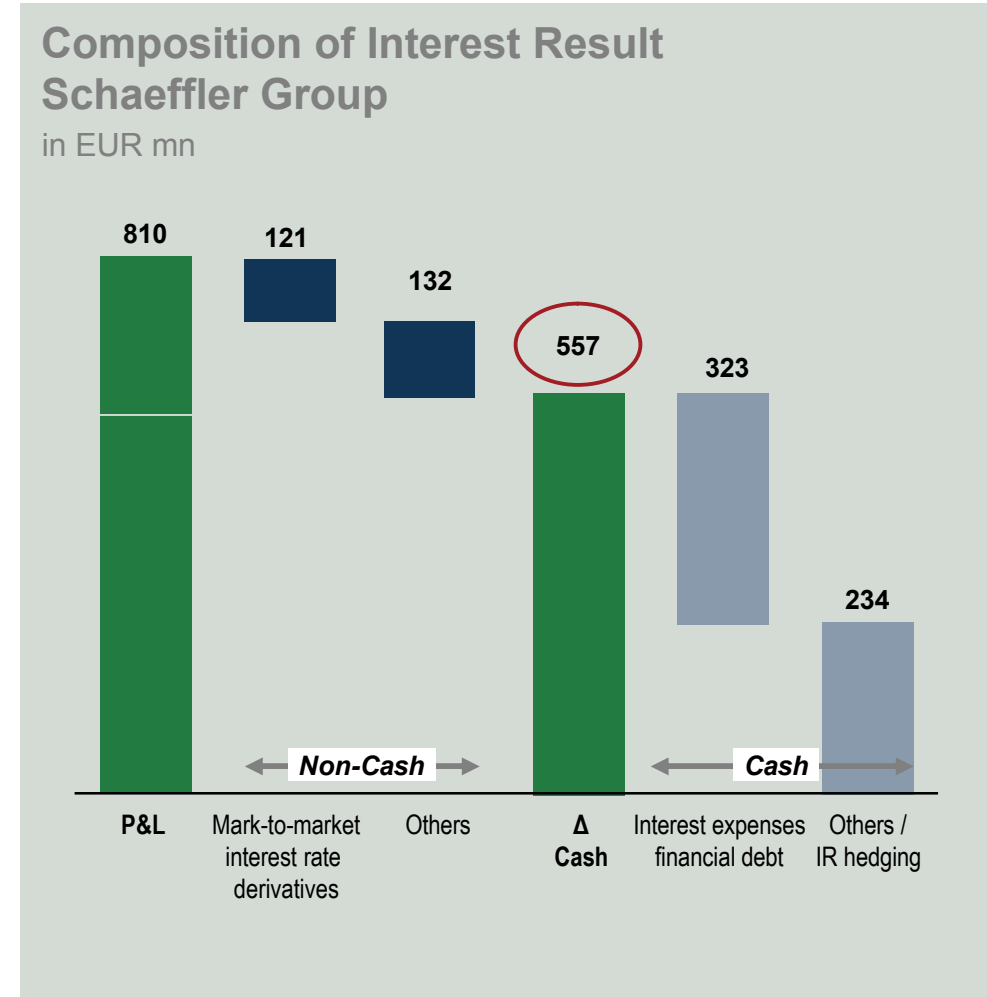
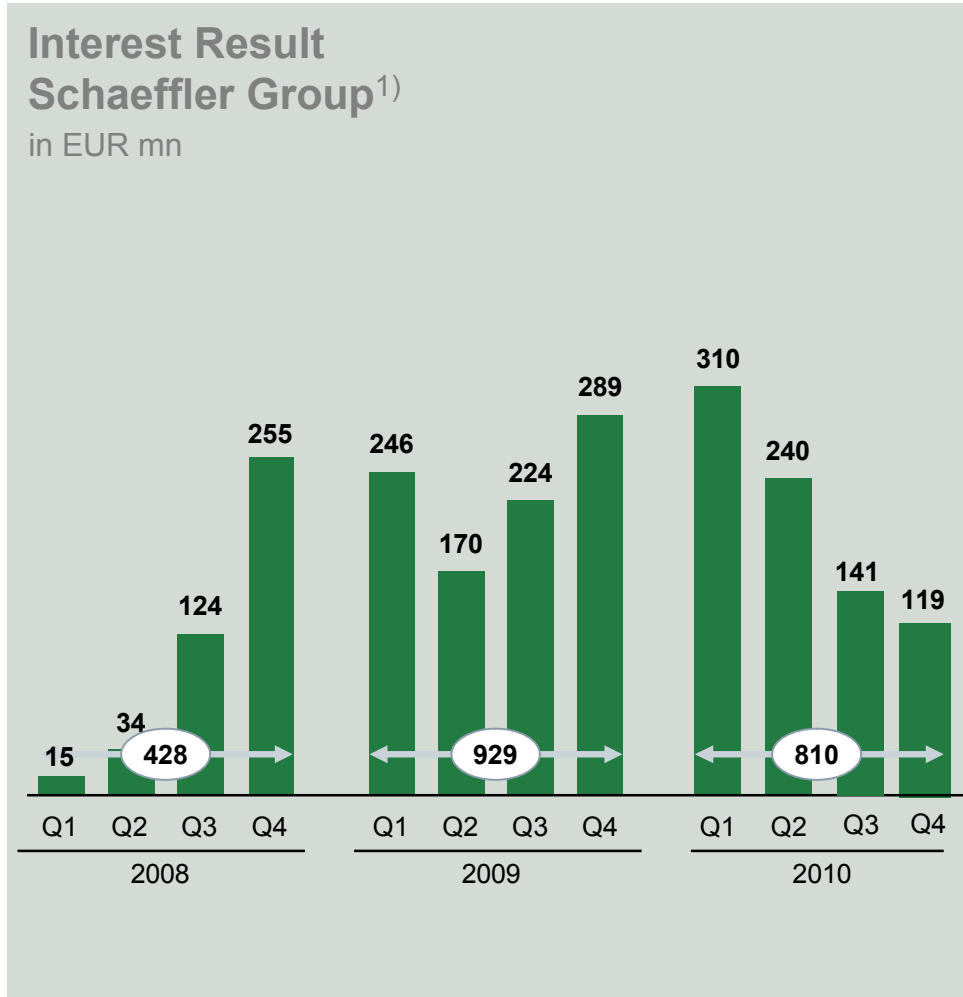
### 3 Positive net income in 2010



1) One-off dilution loss from capital increase Conti of EUR -396 mn.

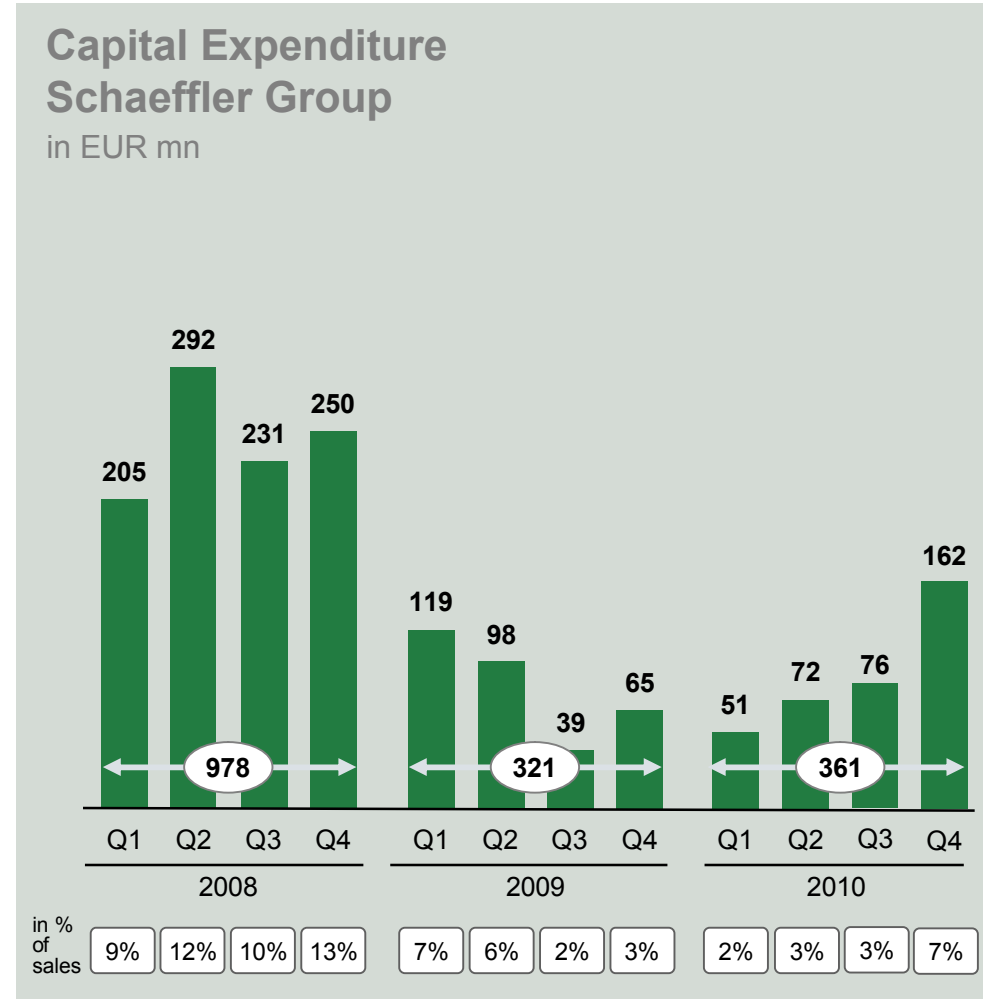
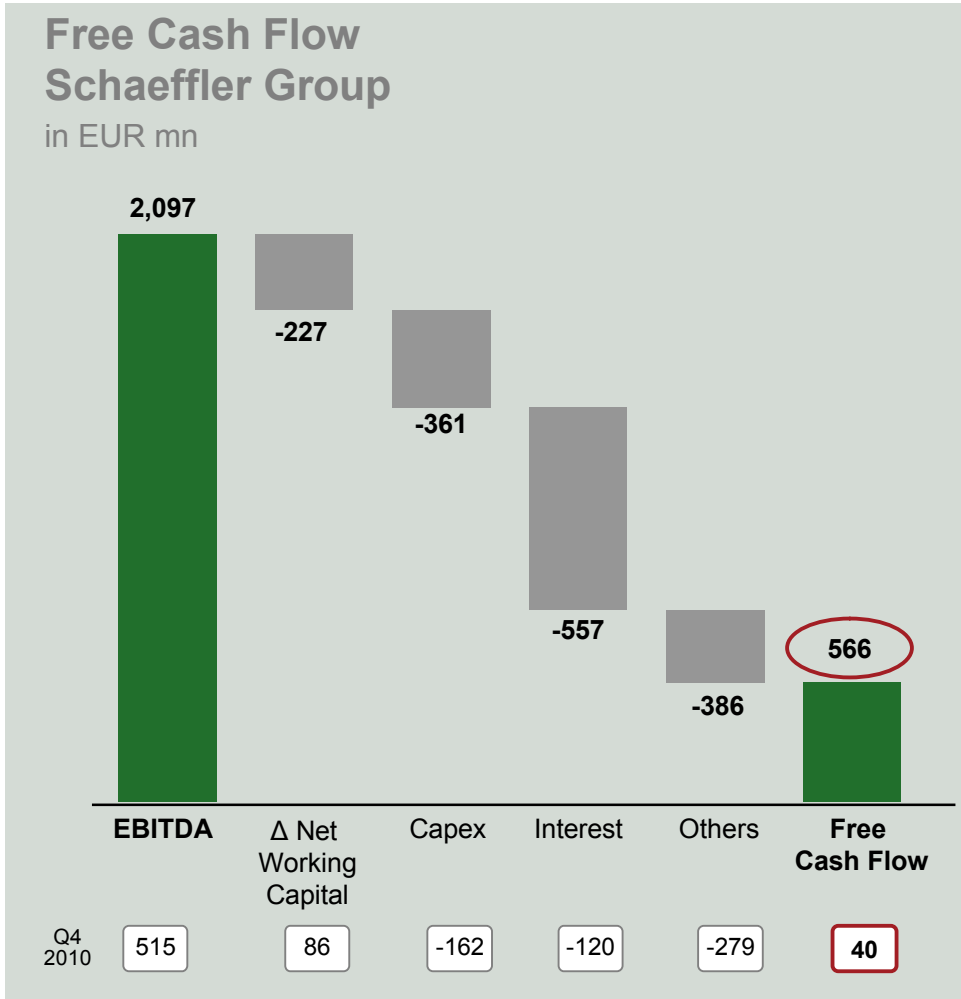


### 3 Cash interest result at EUR 557 mn



1) For presentation purposes, results are shown as positive figures.

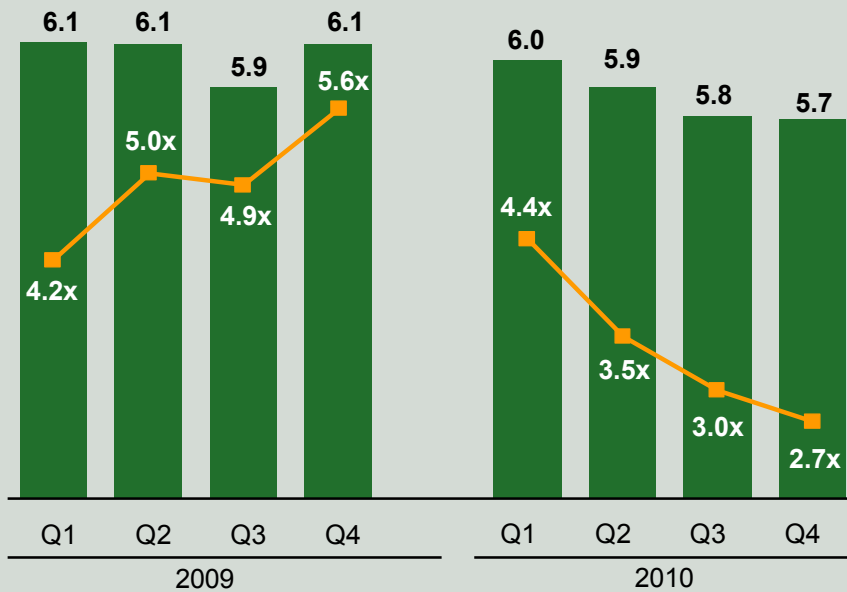
# 4 Strong Cash Flow generation



**5 Leverage ratio reduced to 2.7x**

**Net Financial Debt / Leverage Ratio  
Schaeffler Group**

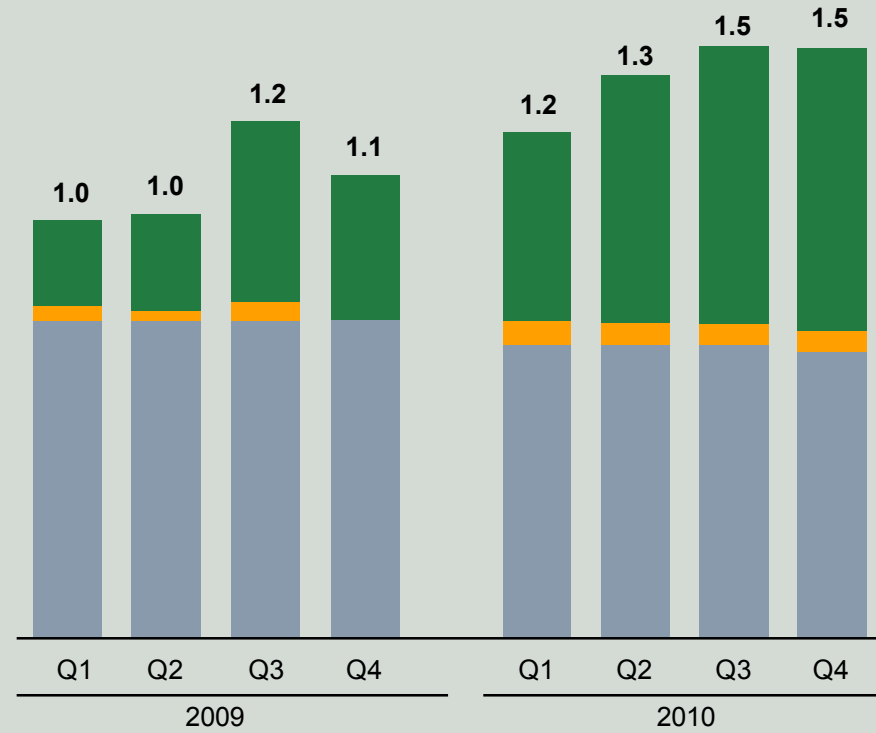
in EUR bn



— Leverage Ratio (Net Financial Debt / LTM EBITDA)

**Available Funds  
Schaeffler Group**

in EUR bn

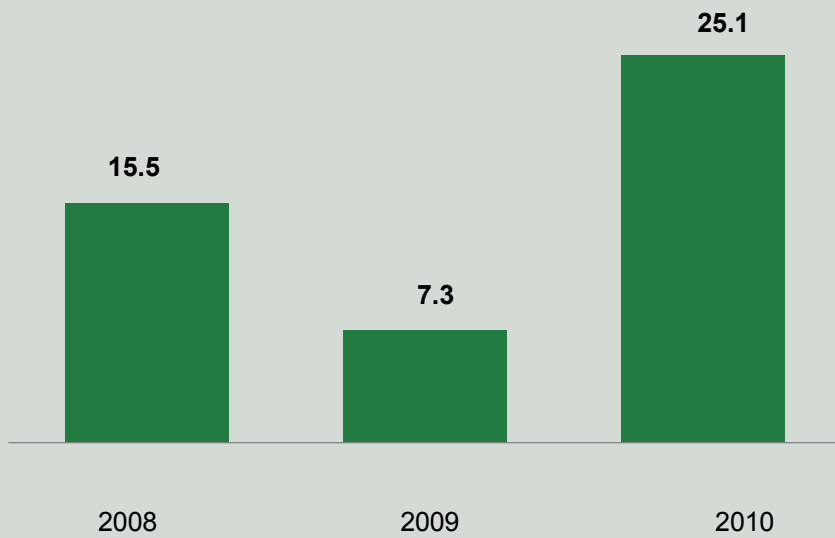


■ Revolver ■ Bilateral Lines ■ Cash

# We create sustainable value

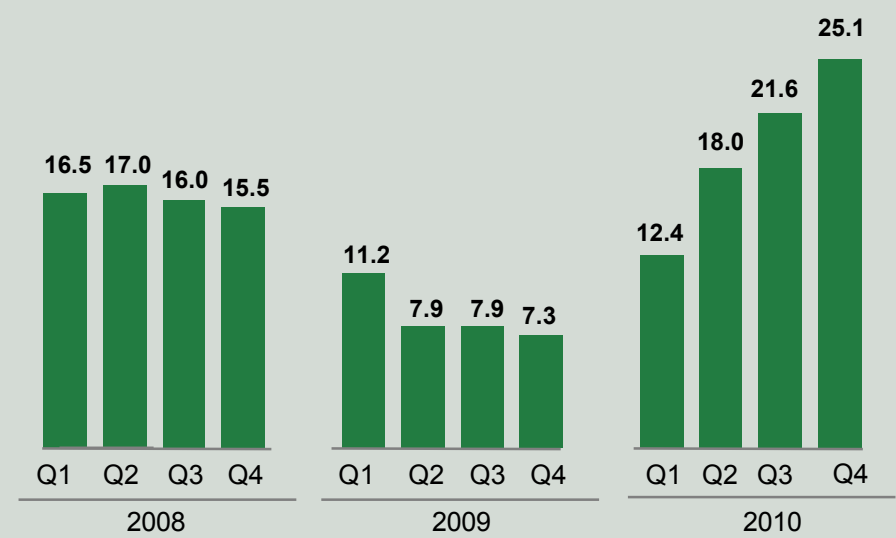
## ROCE Schaeffler Group

in %



## ROCE Schaeffler Group

in %





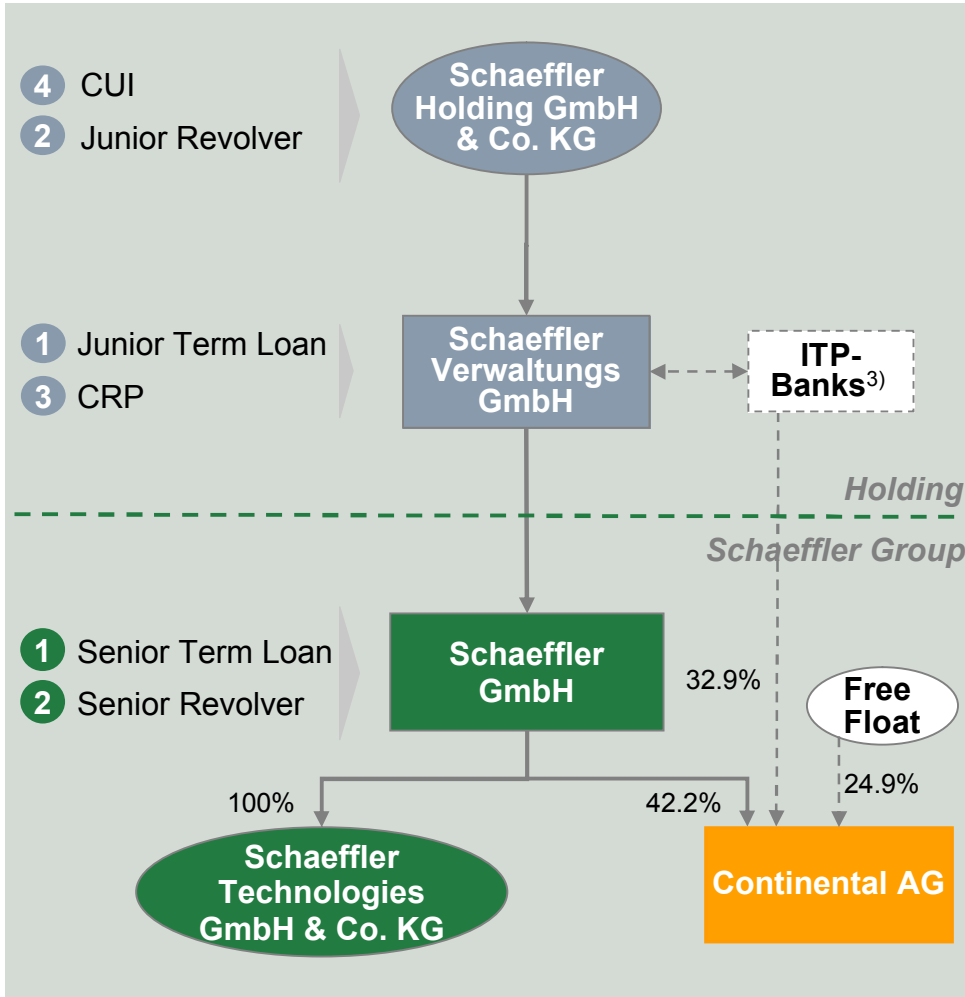
# Agenda

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# Current financing structure

## Status quo<sup>1)</sup>



## Key elements

- 1 Junior Term Loan**  
Bullet structure maturing in 2015 and interest rate of 7% p.a. PIK<sup>2)</sup>
- 2 Junior Revolver**  
Not drawn yet
- 3 Contingent Remuneration Payment (CRP)**  
Pushes interest rate of Junior facility to 17% p.a.
- 4 Contingent Upside Instrument (CUI)**  
Additional compensation for banks in an amount of 25% of a calculative value appreciation
- 1 Senior Term Loan**  
Bullet structure maturing in 2014 and customary cash interest rates
- 2 Senior Revolver**  
Only marginally drawn

1) Structure after capital increase Continental AG in January 2010 and before Junior Refinancing    2) Incl. a small cash element

3) M.M.Warburg and Bankhaus Metzler

## Refinancing concept

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### 3 key elements

1 Refinancing Junior loan

2 Rearranging participation structure

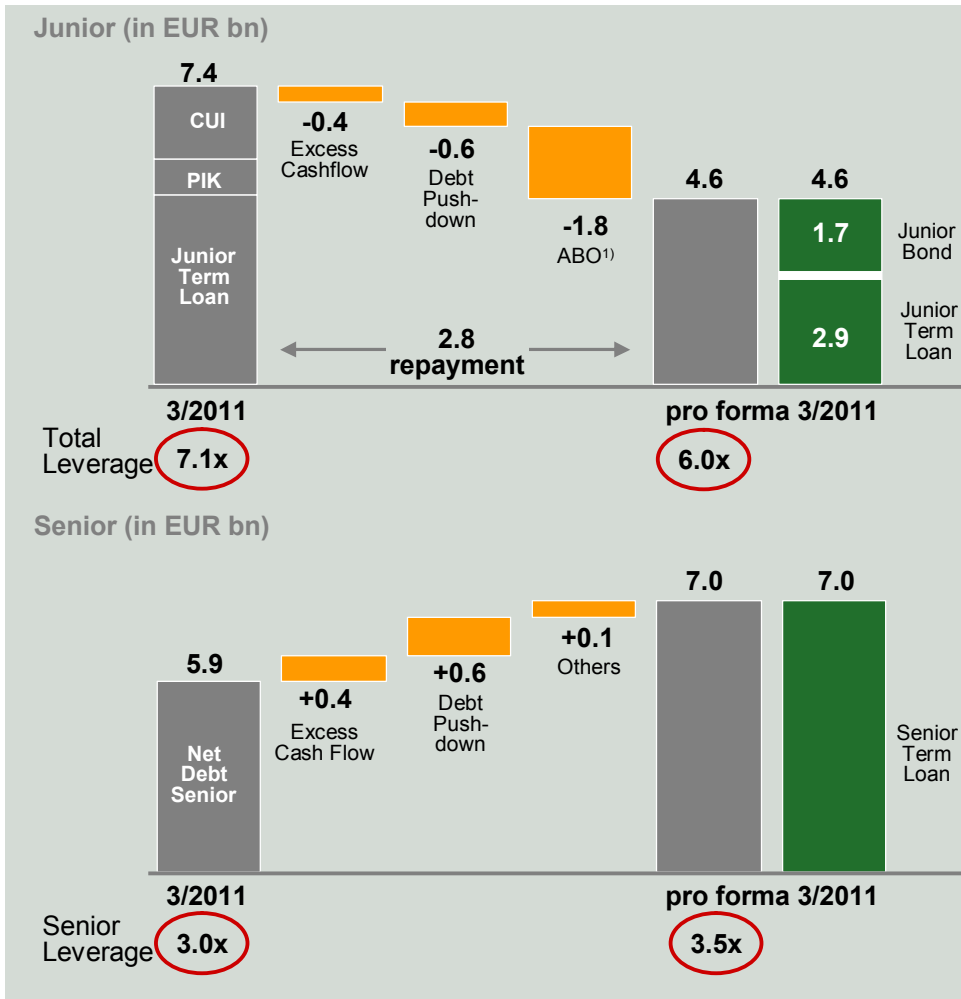
3 Converting into a stock corporation (AG)

Strategic  
and financial  
flexibility

# 1 Refinancing Junior Loan: Significant pay down at Schaeffler Holding

## Refinancing structure

## Key elements

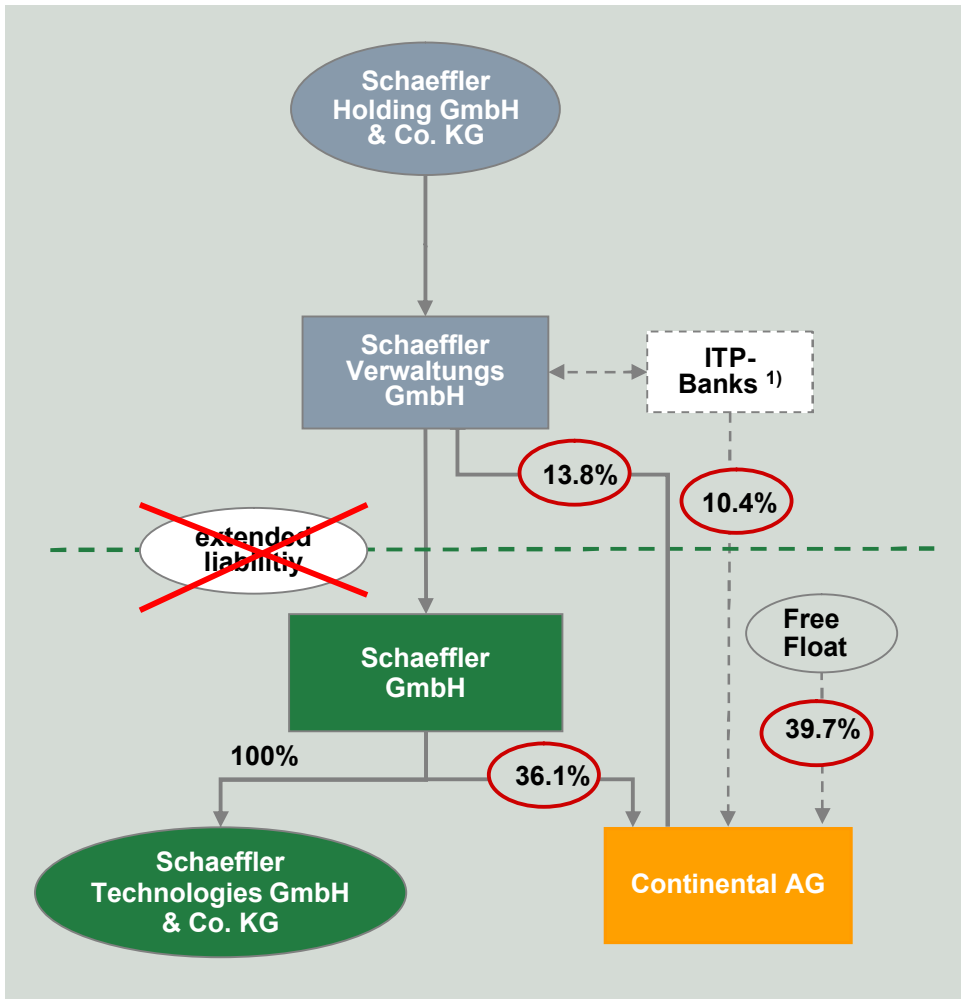


- ▶ €2.8 billion net paydown of Junior Term Loan from Excess Cash Flow, debt pushdown und ABO<sup>1</sup>)
- ▶ CUI and Junior Interest crystallized
- ▶ Refinancing through €1.7 billion Junior Bond maturing in March 2018 and €2.9 billion Junior Term Loan maturing in December 2015
- ▶ Net Debt at Senior level increased to approx. €7.0 billion (interest rates unchanged for the time being)
- ▶ Total leverage ratio (Junior and Senior) reduced

1) Proceeds from sale of Continental shares

## 2 Rearranging participation structure: Increasing holding in Continental

### New structure



### Key changes

- ▶ ABO increases Continental AG Free Float from 25% to approx. 40%; enabling potential DAX re-entry
- ▶ Schaeffler increases participation in Continental AG from 42.2% to 49.9%; upstreaming of approx. 6% of holdings from GmbH to Holding
- ▶ 12-months lock-up for remaining shares of Schaeffler, B. Metzler and M.M. Warburg

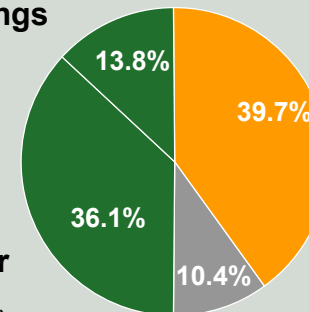
### New shareholder structure Continental AG

**Schaeffler Verwaltungs GmbH**  
(before: 0%)

**Free Float**  
(before: 24.9%)

**Schaeffler GmbH**  
(before: 42.2%)

**B. Metzler/  
M.M. Warburg**  
(before: 32.9%)



1) M.M.Warburg und Bankhaus Metzler

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## Schaeffler creates flexibility for further strategic development

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**Strong operating business**



**Refinancing Junior and  
rearranging holdings in Continental AG**



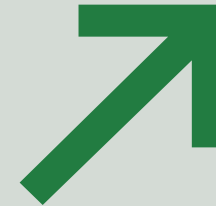
**Profitable growth above market**

**Strategic  
and financial  
flexibility**

## Well positioned for further profitable growth

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- 1 Key trends will drive sector growth
- 2 Leading positions in fast growing markets
- 3 Components, modules and systems
- 4 Full innovation pipeline



We will continue to grow above market



# 1 Key trends will drive sector growth

## Energy Efficiency / CO<sub>2</sub> - reduction

Friction optimized bearings

Performance optimized bearings (x-Life)

Co<sub>2</sub>ncept-10%

## Regenerative Energies

Comprehensive portfolio for wind turbines

Simulation of the entire drive train in wind turbines

Bearing solutions for new energy technologies

Schaeffler defines  
new standards  
in modern engineering

## From Mechanics to Mechatronics

UniAir

Electromechanic drive train components

Bearings with integrated functions

## E-Mobility

Schaeffler Hybrid Car

eWheelDrive (wheel hub motor)

E-Bike: torque sensor bottom bracket

## ② Leading positions in fast growing markets

### Aerospace, Railway

Market  
CAGR 2010-2013

**+2.5-5.0 %**

Schaeffler sales  
estimation

**Above  
market growth**

### Automotive, Consumer Products

Market  
CAGR 2010-2013

**+5.0-7.5 %**

Schaeffler sales  
estimation

**Above  
market growth**

### Production Machinery, Power Transmission

Market  
CAGR 2010-2013

**+7.5-10.0 %**

Schaeffler sales  
estimation

**Above  
market growth**

### Wind Power

Market  
CAGR 2010-2013

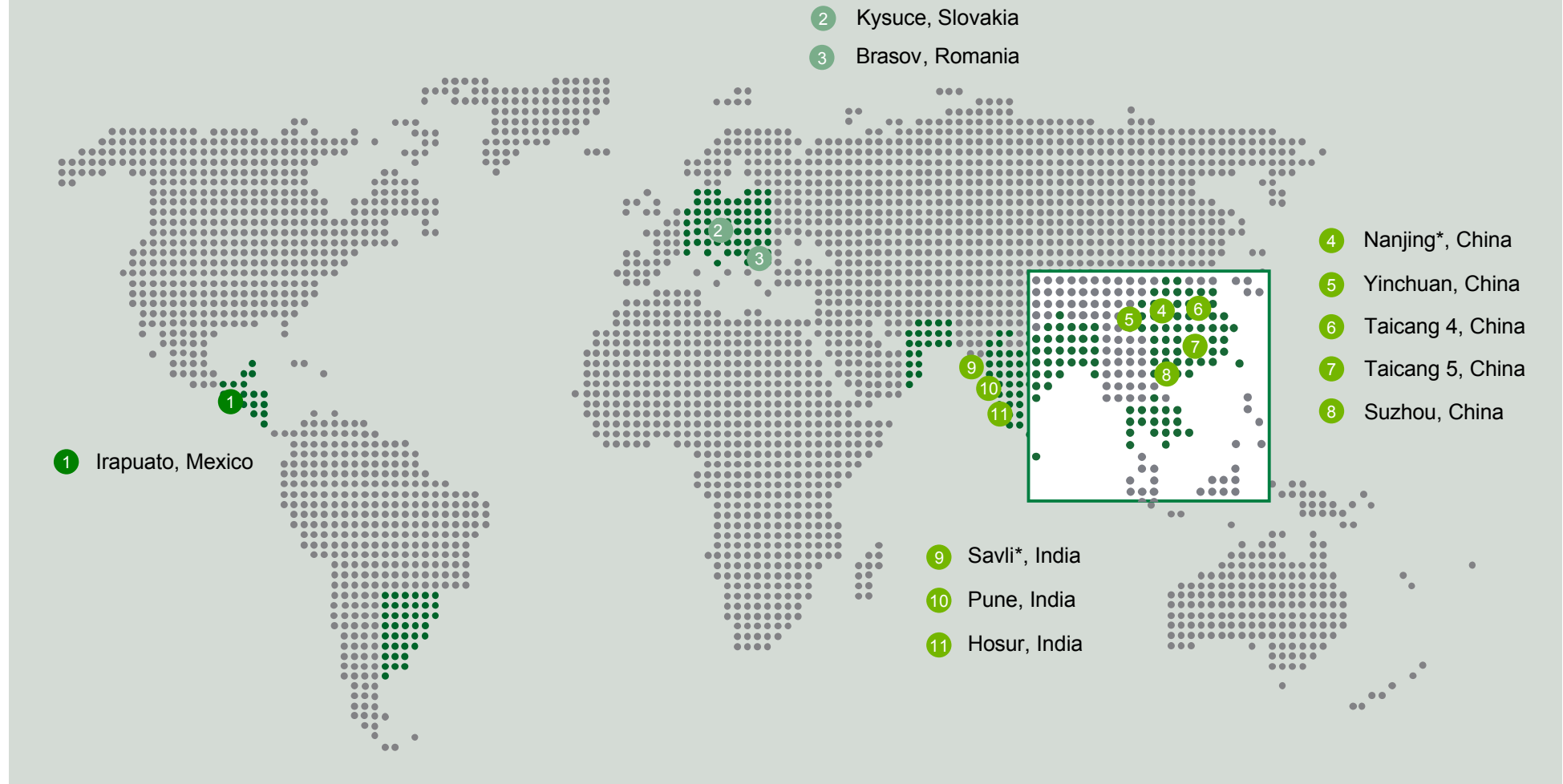
**>10 %**

Schaeffler sales  
estimation

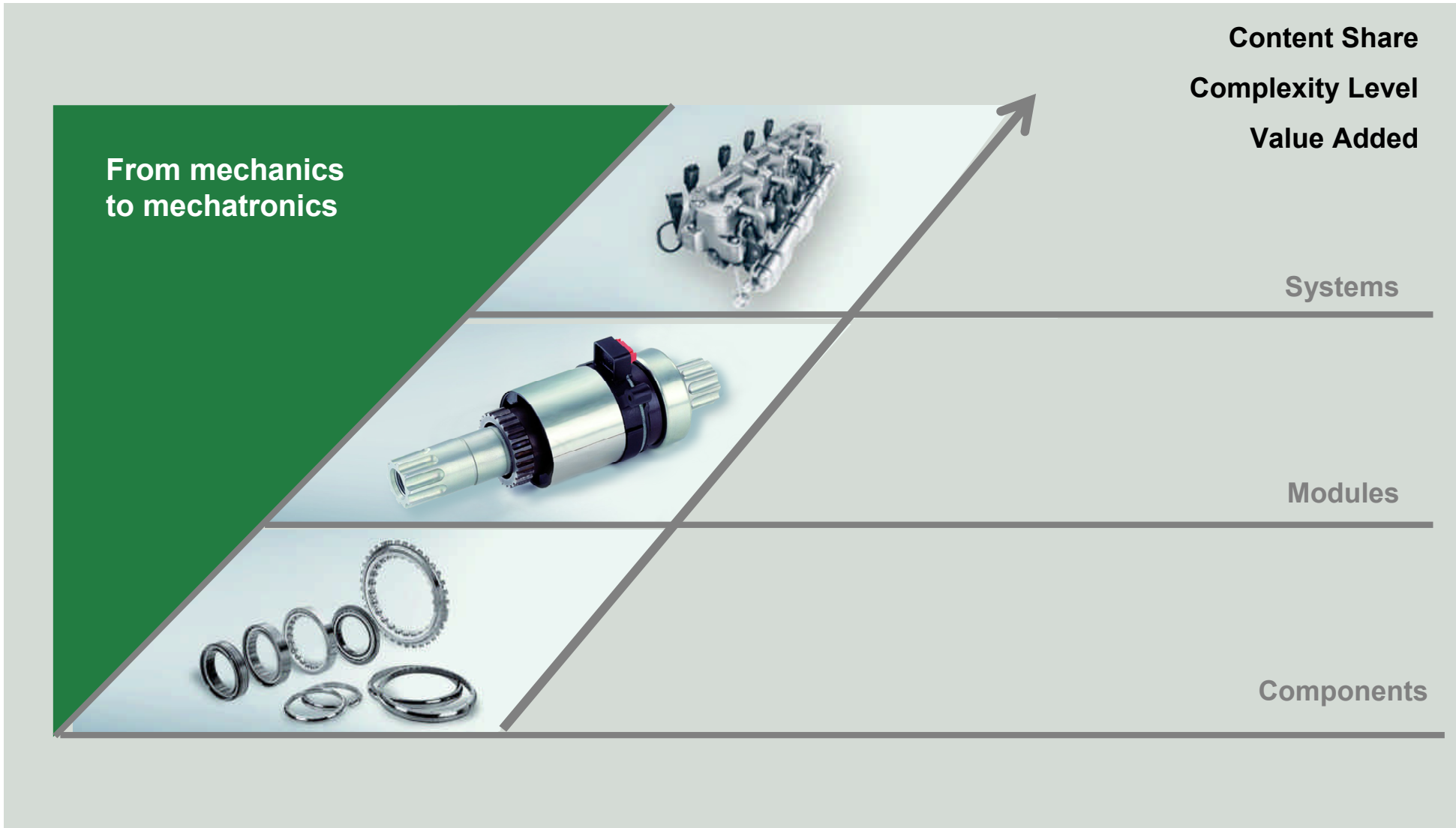
**Well above  
market growth**

## 2 Aligning regional production with fast growing regions

New locations\* and plant extensions (2011 – 2013)

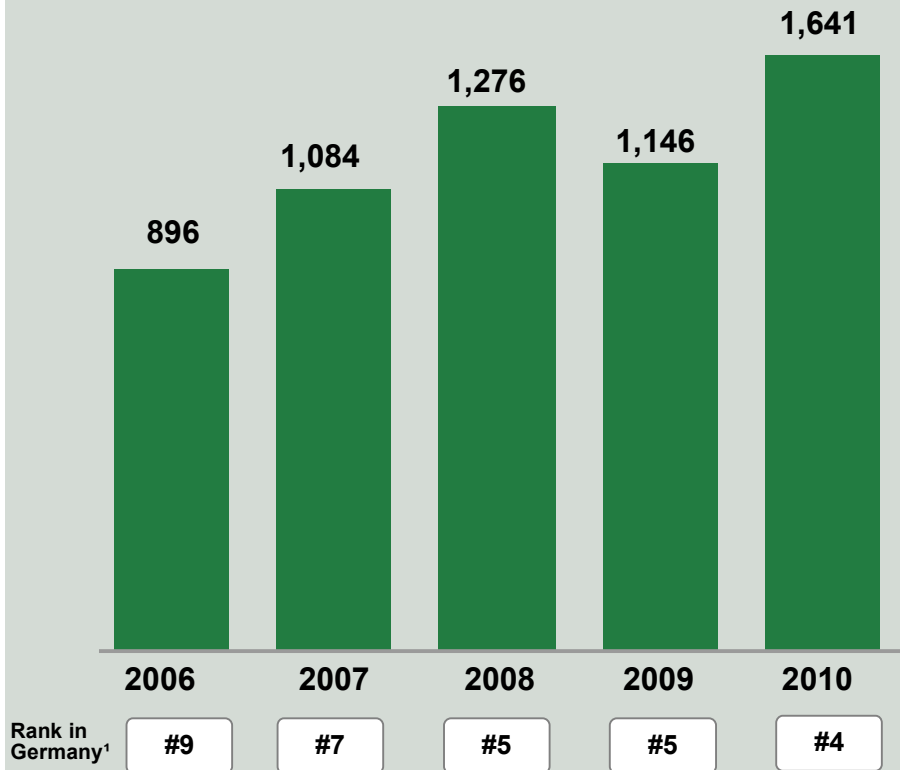


### ③ Great mix of components, modules and systems



## 4 Full innovation pipeline

### Number of patent registrations



1) Source: German Patent and Trademark Office

### Key aspects

- ▶ Schaeffler is in the Top 4 of the most innovative companies in Germany in 2010
- ▶ 5,000 employees at 40 locations worldwide develop new and efficient solutions in close cooperation with customers
- ▶ Constant R&D spending rate of 5% of sales
- ▶ More than 16,000 running patents in Germany

## Key focus areas in 2011

Growth		Profitability	
Sales growth	8-10 %	EBIT Margin	> 13 %
CAPEX	6-8 % of sales	Free Cash Flow	sustainably positive
Quality		Innovation	
Quality policy	Zero defects	R&D expenses	around 5 % of sales
Employees	Dedicated education for new employees	Innovation management	Increase of patent registrations



**For questions please refer to**

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