



Results Q3 2013 Schaeffler Group

Klaus Rosenfeld
CEO Schaeffler Group

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Agenda

- 1** Overview
- 2** Results 9M 2013
- 3** Financing and Capital Structure
- 4** Outlook

Strong Automotive business offsets weak Industrial business



Schaeffler Hybrid Module 48 Volt, presented at the IAA 2013 trade fair



Transparent Machine Tool, presented at the EMO 2013 trade fair

9M 2013 Group Sales with 8.4 billion Euro on prior year level (currency adjusted +1.8%)

Automotive sales growth with 6.5% significantly above market, Industrial sales -12.3% due to challenging market conditions

EBIT margin before one-off restructuring costs at 12.9% (reported EBIT margin at 12.3%)

Operating Cash Flow at 919 million Euro (+17.4%), Free Cash Flow increased to 589 million Euro

Debt reduction by approx. 1.1 billion Euro to 5.7 billion Euro, Leverage ratio at 2.8x

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Schaeffler with solid performance in Q3

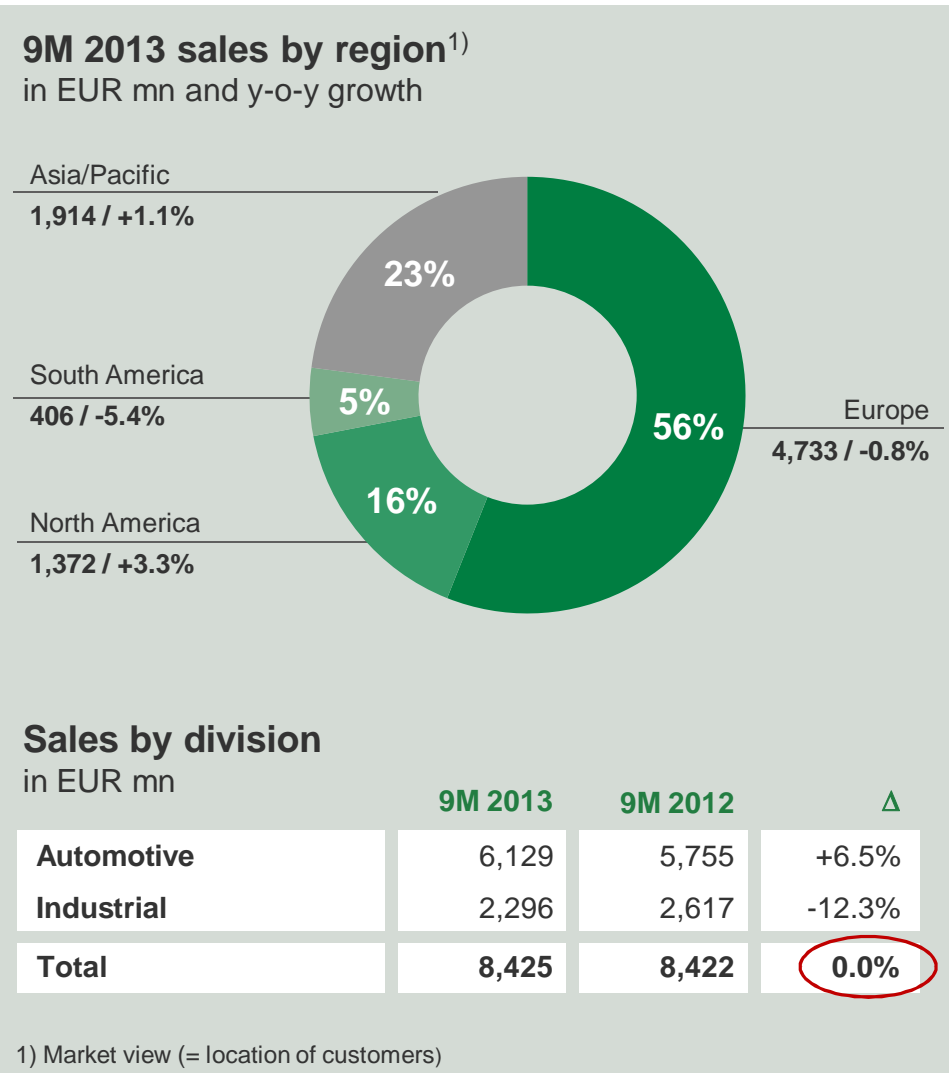
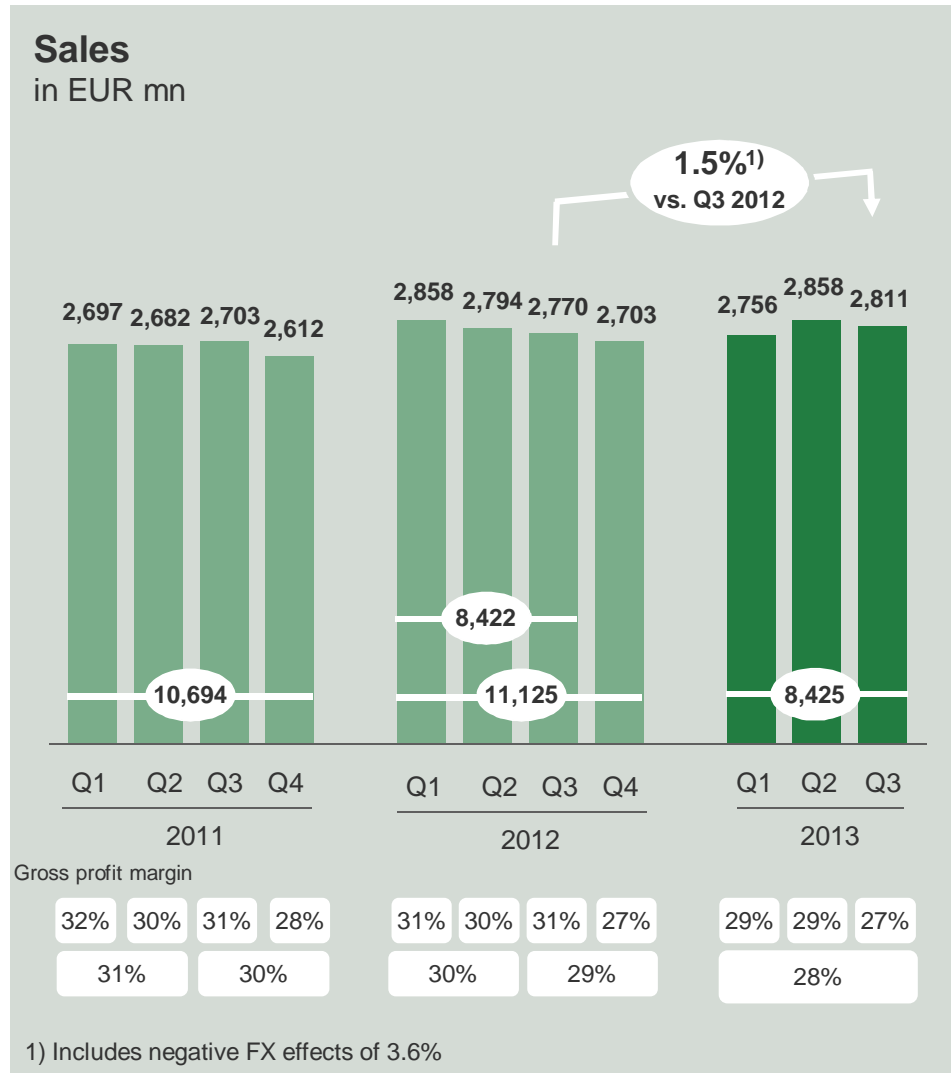
Including FX effects
and restructuring
expenses

	9M 2013 in EUR mn	9M 2012 in EUR mn	Δ in EUR mn / %	Q3 2013 in EUR mn	Q3 2012 in EUR mn	Δ in EUR mn / %
Sales	8,425	8,422	0.0%	2,811	2,770	+1.5%
EBITDA	1,514	1,599	-5.3%	472	520	-9.2%
EBITDA margin	18.0%	19.0%	-1.0%pts.	16.8%	18.8%	-2.0%pts.
EBIT	1,038	1,144	-9.3%	314	364	-13.7%
EBIT margin	12.3%	13.6%	-1.3%pts.	11.2%	13.1%	-1.9%pts.
Net income ¹⁾	1,020	729	+291 mn	459	225	+234 mn
Free cash flow	589	122	+467 mn	203	92	+111 mn
Leverage ratio ²⁾	2.8x	3.2x	-0.4	2.8x	3.2x	-0.4

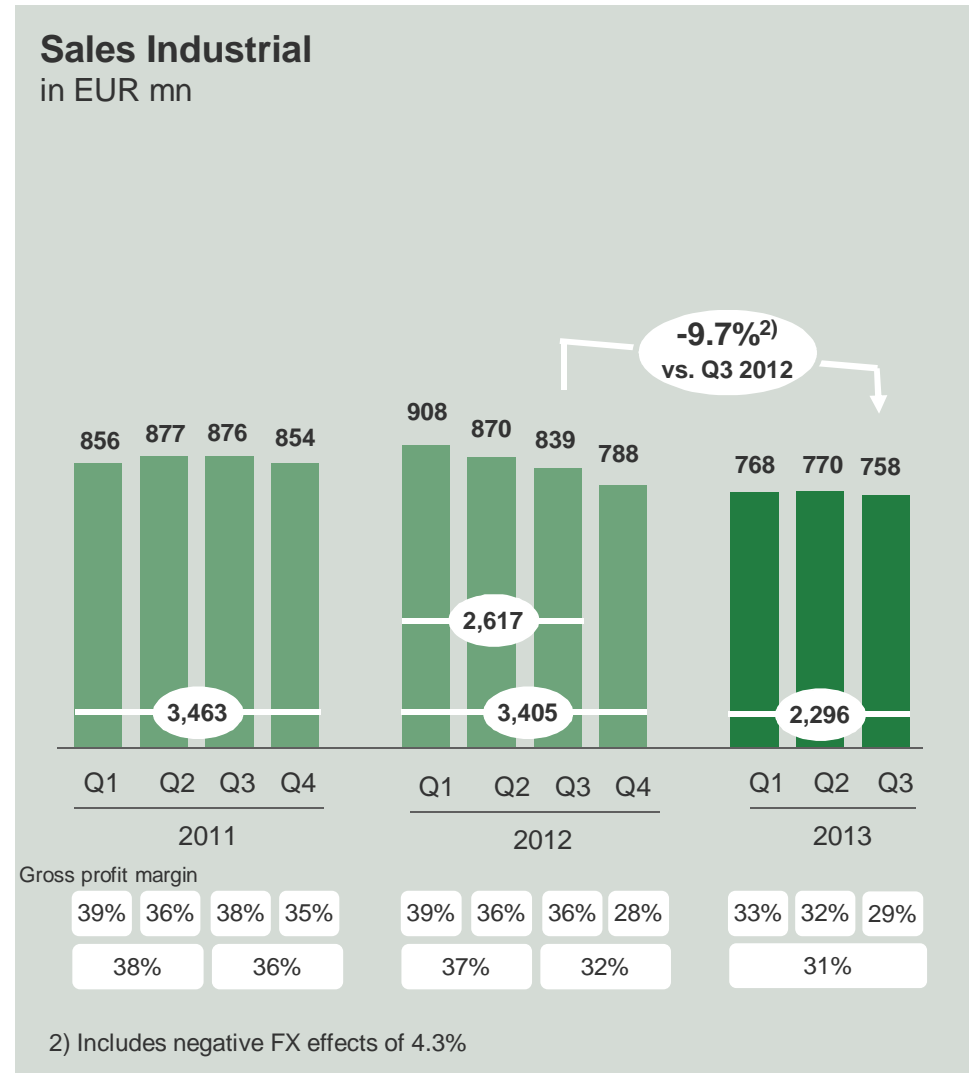
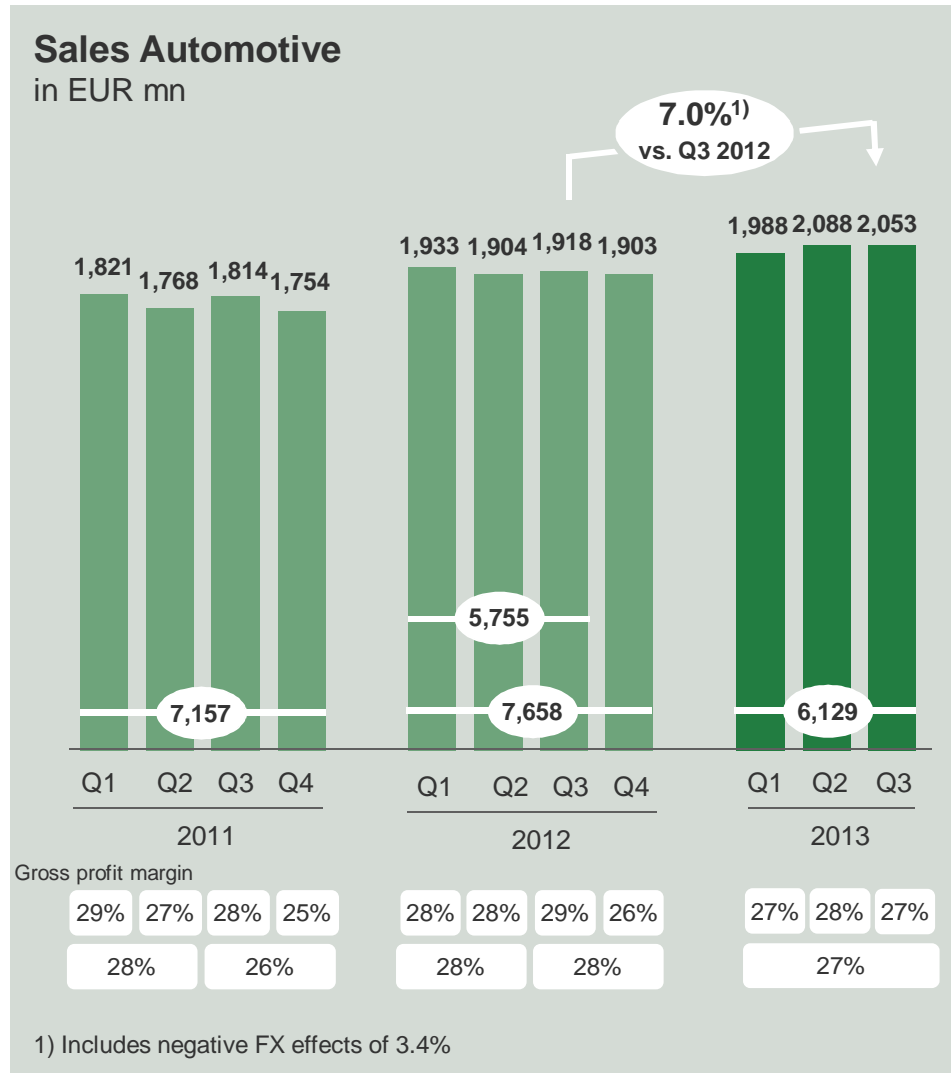
1) Attributable to shareholders of the parent company; prior year amount restated for initial application of net interest approach required by IAS 19 (rev. 2011)

2) Excluding shareholder loans

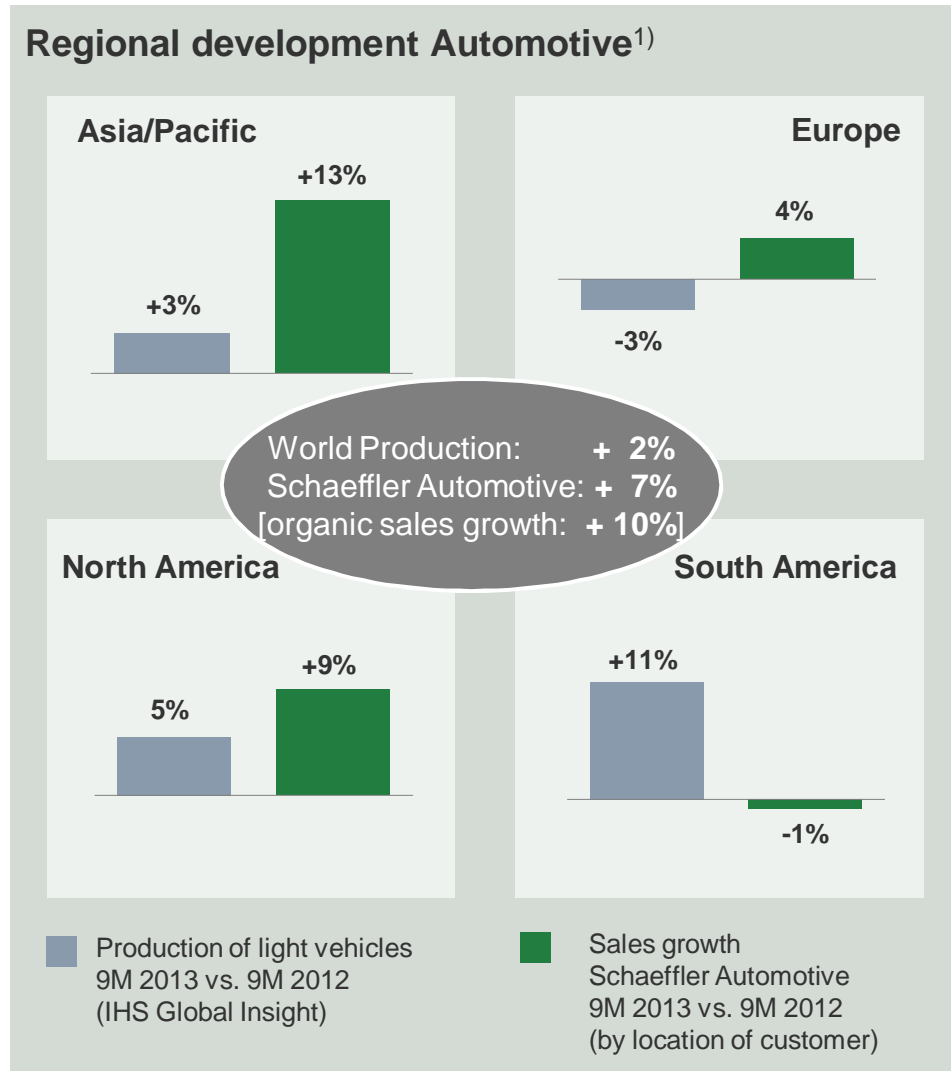
9M group sales on prior year level, Q3 sales up



Automotive and Industrial division show different growth dynamics



Automotive – Sales growth strongly outpacing market growth



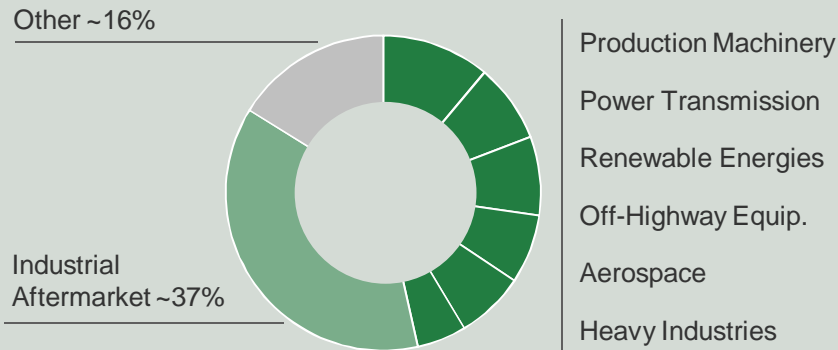
Key aspects

- ▶ Schaeffler Automotive significantly outgrew global automotive production in 9M 2013
- ▶ Positive development in all regions except for South America
- ▶ All business units contributed to overall growth
- ▶ Sales in Europe a.o. driven by non-European demand and strong aftermarket business
- ▶ Strong operational growth (+12%) in South America negatively impacted by FX effects
- ▶ General growth trend is supported by both established (e.g. camshaft phasing units) and innovative products (e.g. double clutch with hybrid technology)

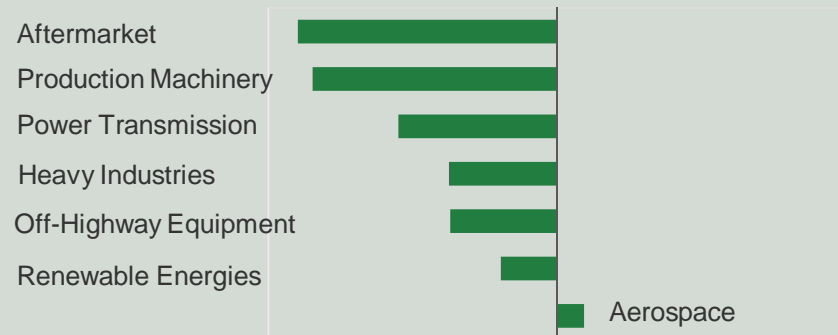
1) Schaeffler Automotive sales growth by region is not necessarily an indication of actual end-customer demand by region (e.g. European sales include components and systems sold to customers in Europe who ultimately export the final product to customer locations in North and South America as well as Asia/Pacific).

Industrial – Challenging market conditions remain

Sales of key industrial business units



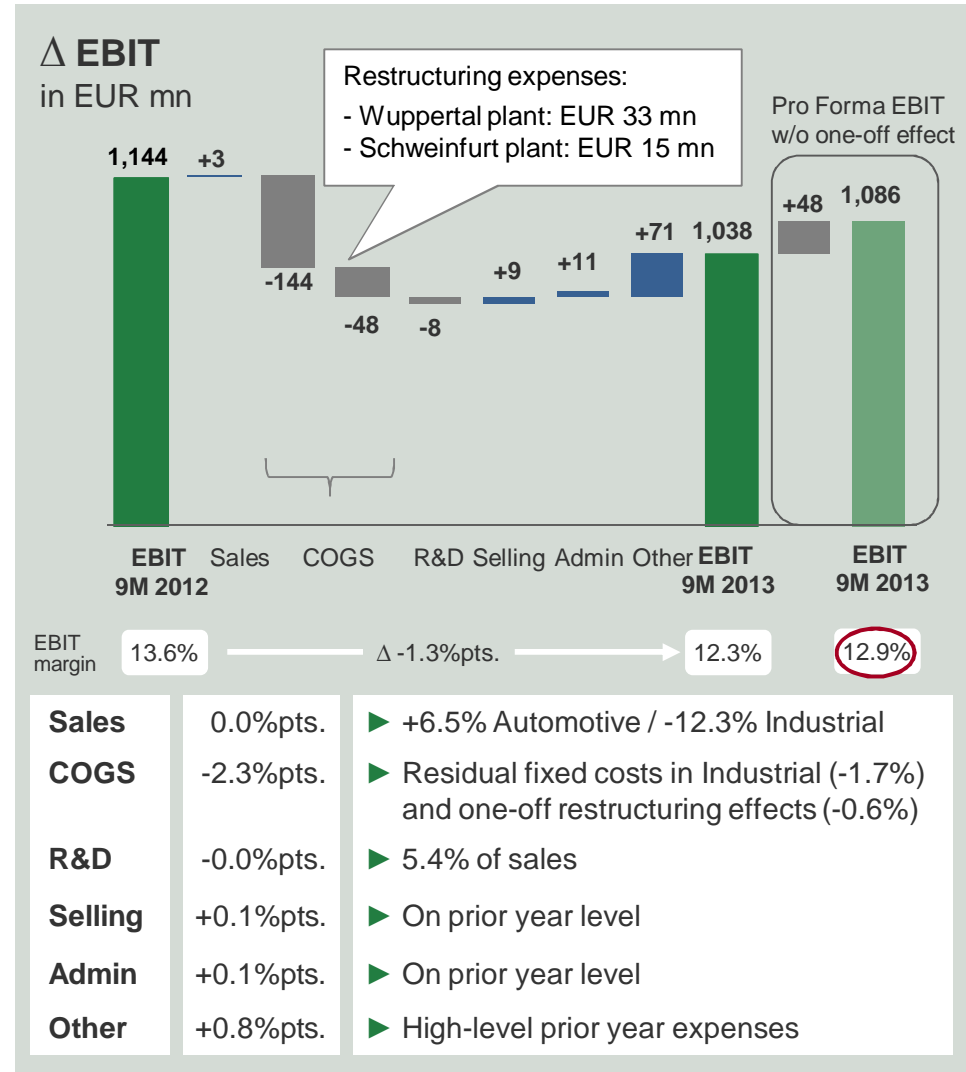
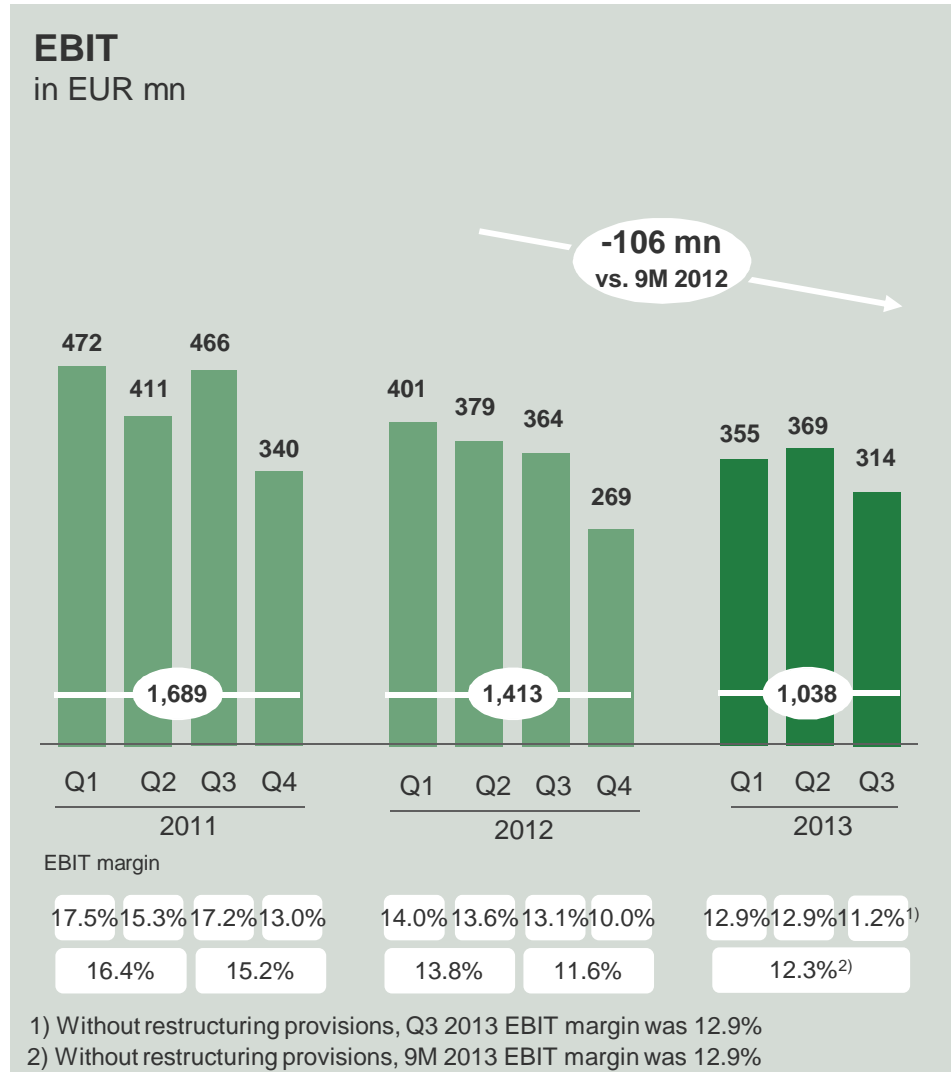
Sales 9M 2013 vs. 9M 2012



Key aspects

- ▶ Sales decreased in all sectors apart from Aerospace
- ▶ *Aftermarket*: Strong inventory reductions of distributors led to significant sales decrease, especially in Asia/Pacific
- ▶ *Production Machinery*: Significant cool-down of demand in all regions
- ▶ *Power Transmission*: Significant cool-down of demand, especially in Asia/Pacific and Europe
- ▶ *Off-Highway Equipment*: Decrease of demand especially in construction machinery
- ▶ *Renewable Energies*: Overcapacities and strong pricing competition in all regions
- ▶ *Aerospace*: Growth in civil aircraft engine bearings continues

EBIT margin 12.9% before one-off restructuring provisions



Two restructuring projects to improve efficiency

Automotive: Schweinfurt plant

Transfer of wheel bearings production in automotive:
provision of EUR 15 million

- ▶ Strong competitive environment and cost pressure in wheel bearings
- ▶ Volume production of wheel bearings at the Schweinfurt site (Germany) will be terminated by the end of 2016 and transferred to other locations
- ▶ Around 400 jobs will be reduced at the location by means of socially-responsible measures by the end of 2016

Focus:
Profitability improvement
of wheel-bearing
production

Industrial: Wuppertal plant

Adjustment of capacities in large-size bearings (mainly used in wind power and heavy industries sectors):
provision of EUR 33 million

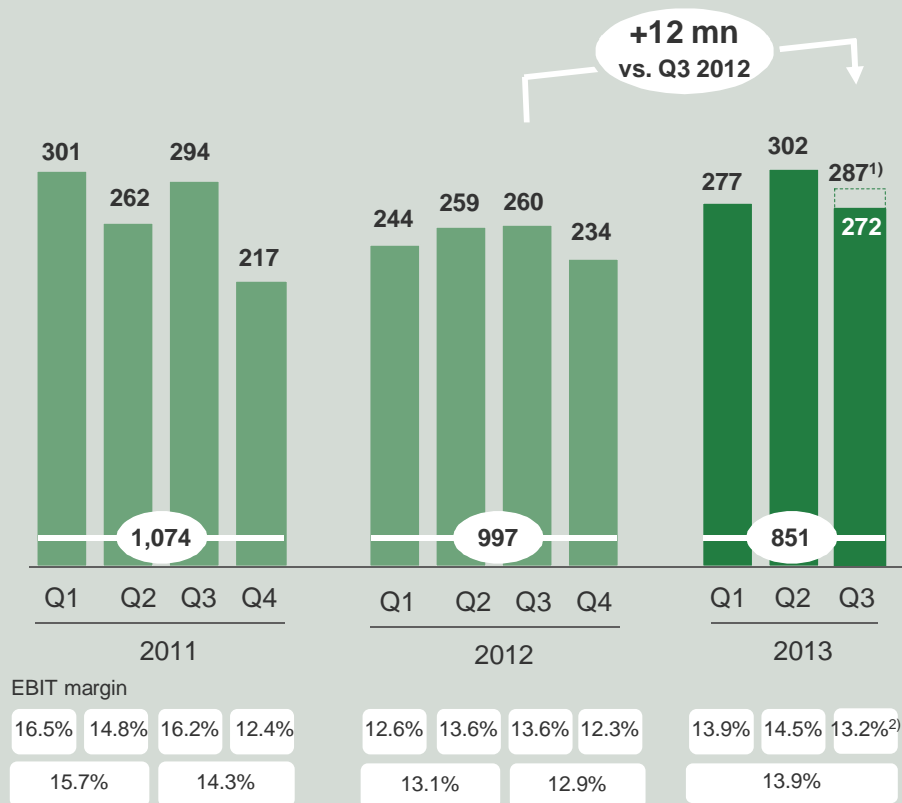
- ▶ Poor demand in large-size bearings led to sustainably low capacity utilization at the Wuppertal site (Germany)
- ▶ Around 500 jobs out of a total of 1,500 jobs will be reduced at the location by the end of 2015 (thereof, 226 jobs are to be reduced in early 2014)
- ▶ In addition, measures to reduce personnel costs and to improve the location's productivity will be implemented

Focus:
Capacity adjustment of
large-size bearing
production

Automotive EBIT strong – Industrial EBIT weak

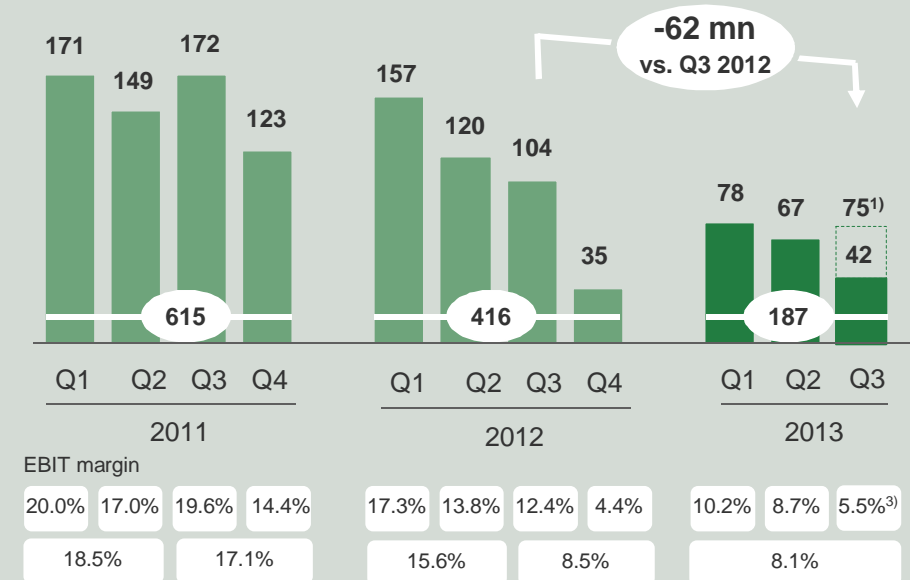
Including FX effects and restructuring expenses

EBIT Automotive in Mio. EUR



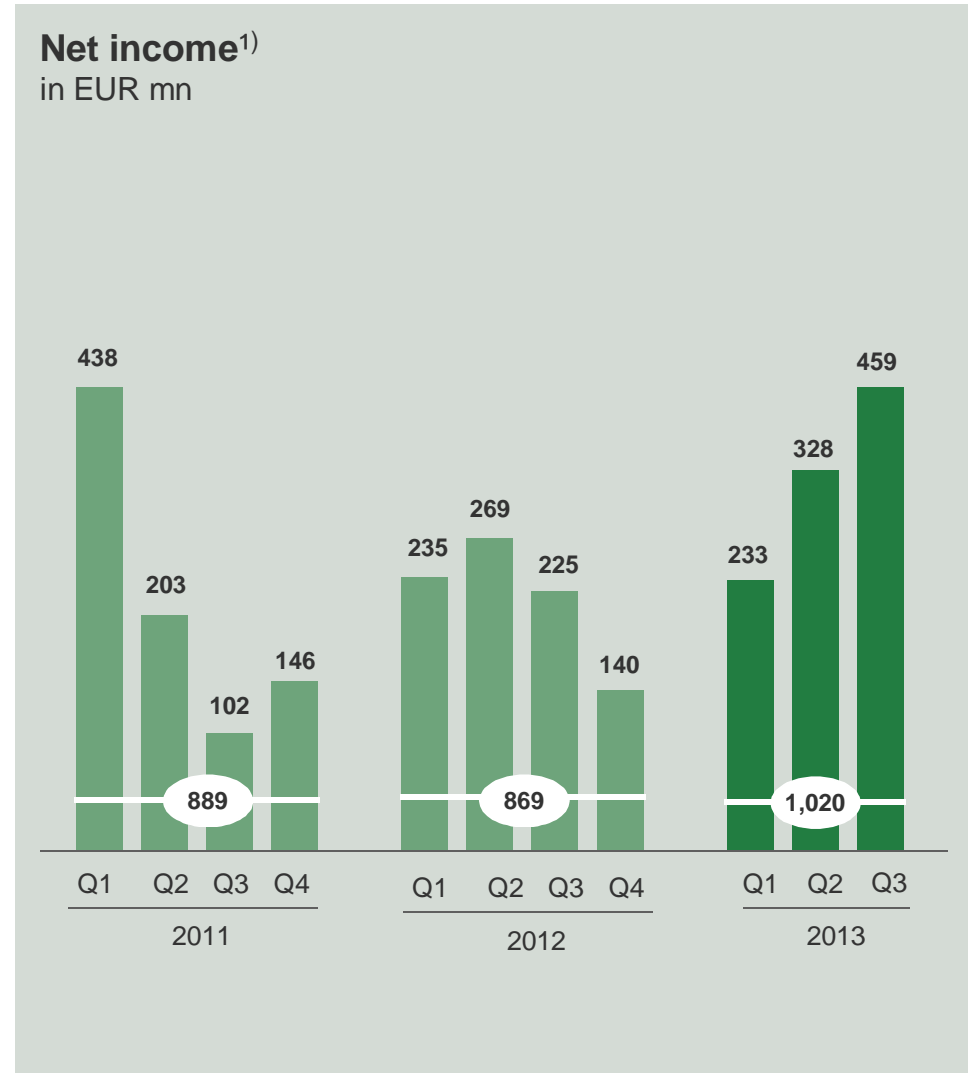
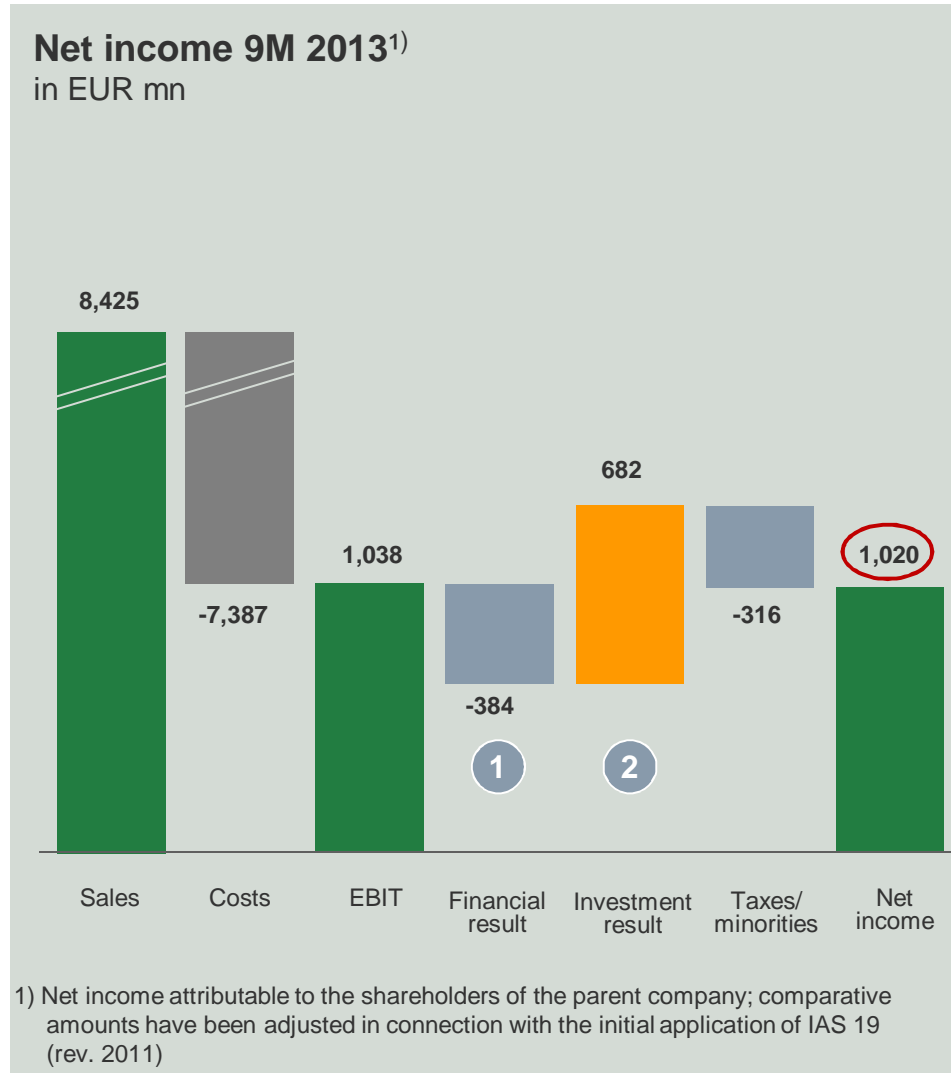
1) Q3 2013 EBIT before one-off restructuring expense
 2) Q3 2013 EBIT margin before one-off restructuring expense: 14.0%

EBIT Industrial in Mio. EUR

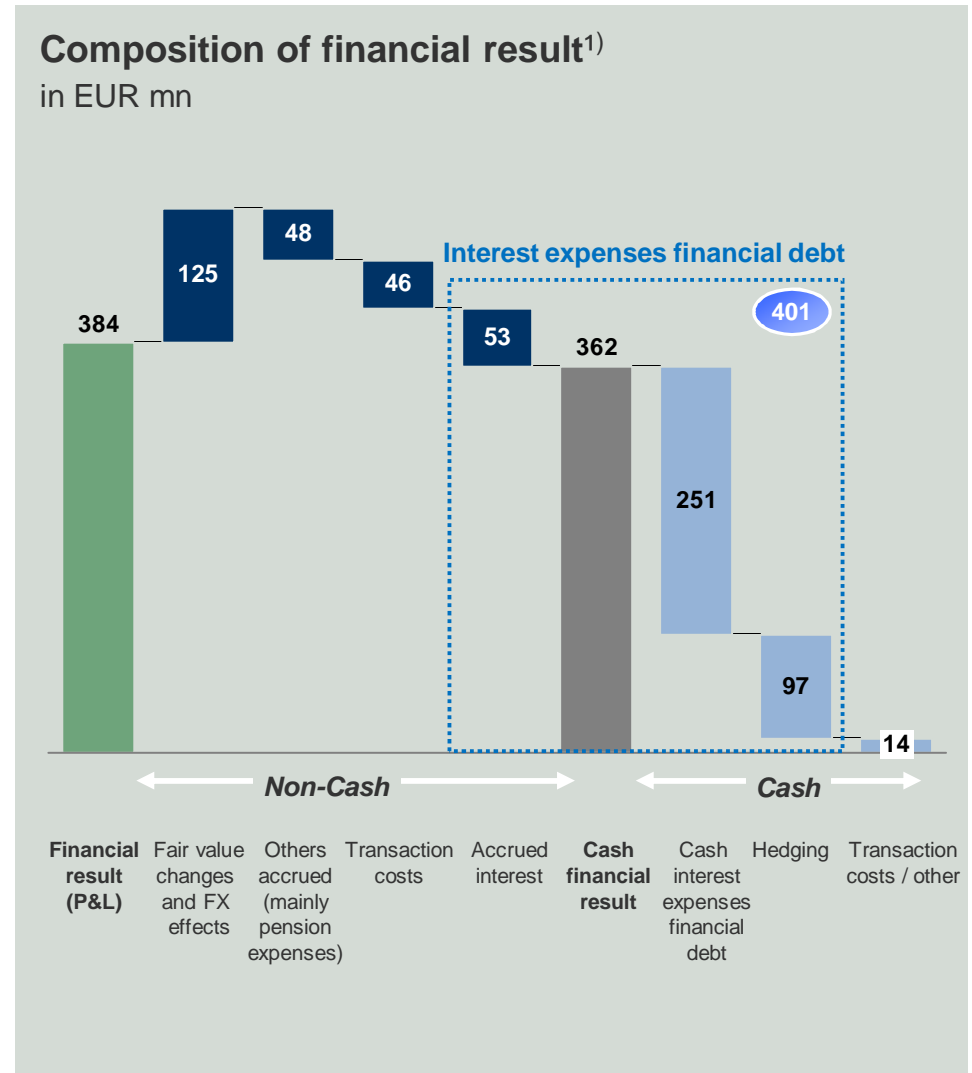
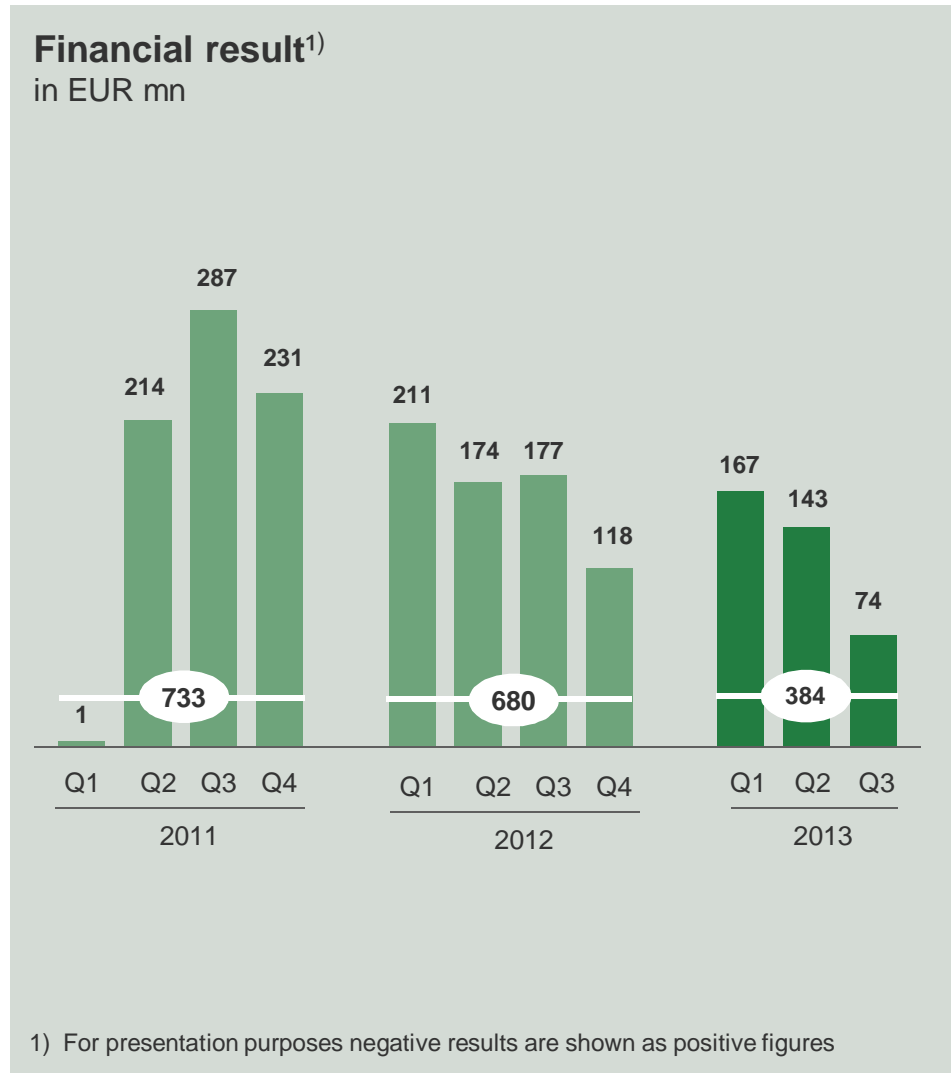


3) Q3 2013 EBIT margin before one-off restructuring expense: 9.9%

Net income EUR 1,020 million



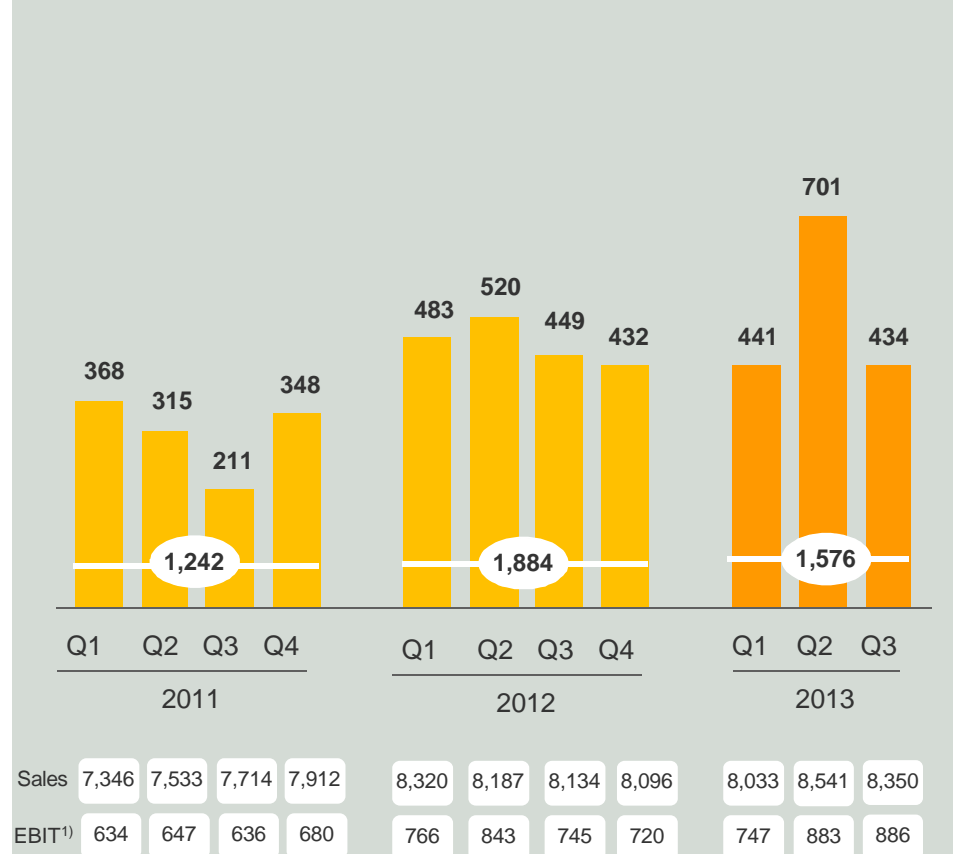
1 Financial result minus EUR 384 million



2 At equity result EUR 494 million

Net income Continental¹⁾

in EUR mn



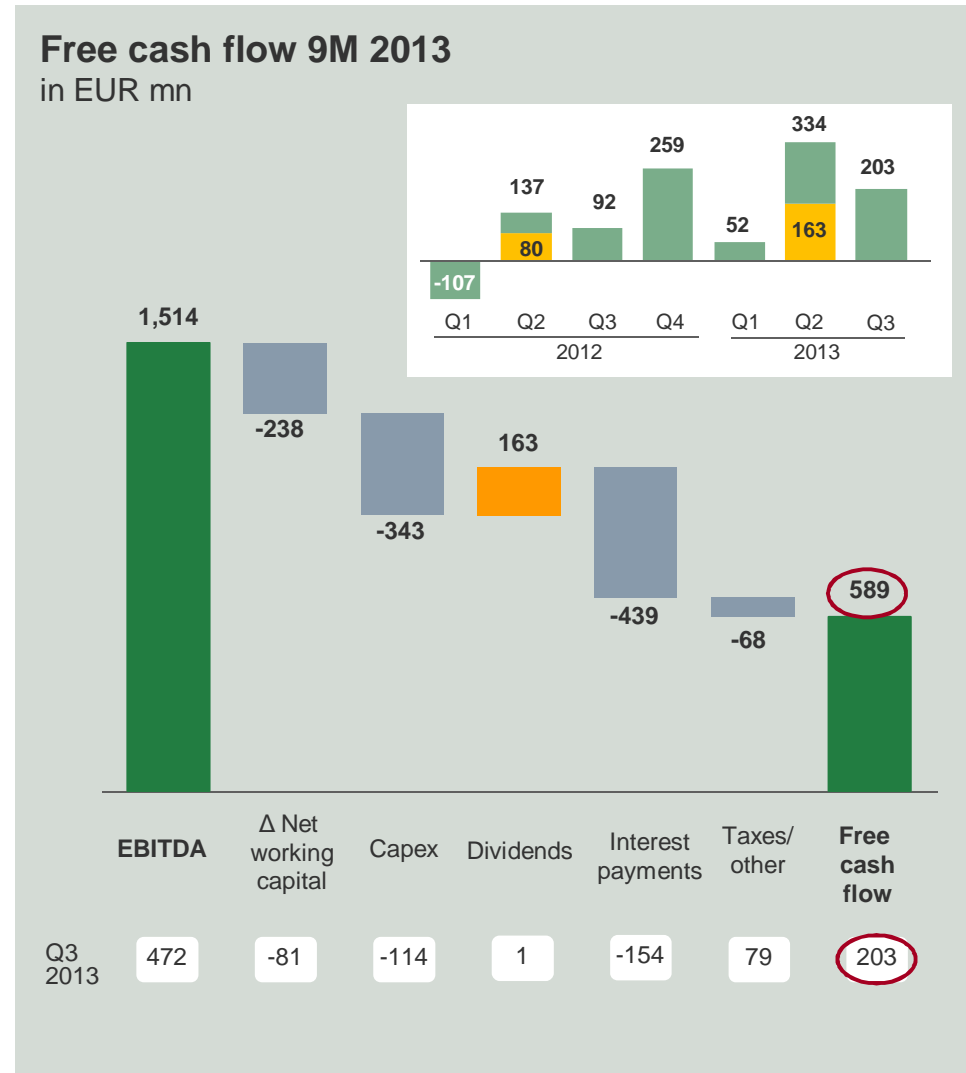
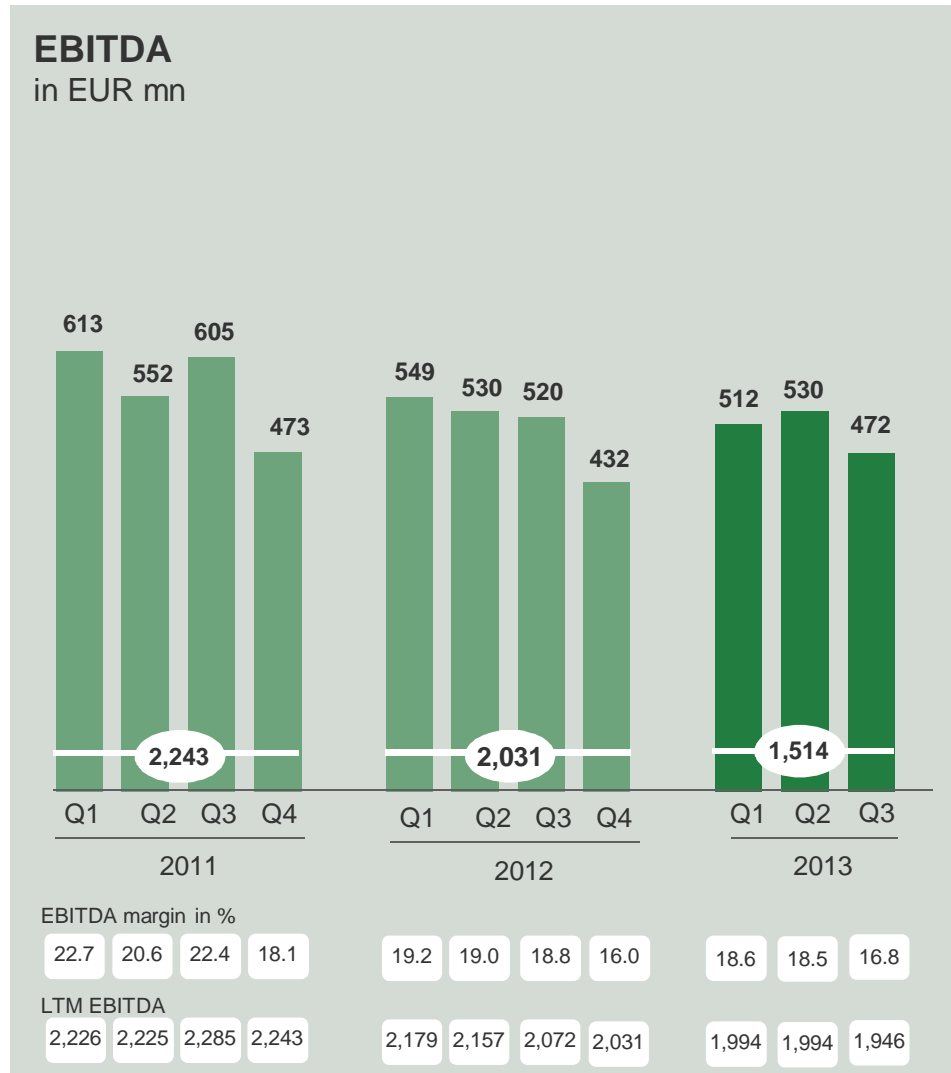
1) 2012 before adjustments in connection with the initial application of IAS 19 (rev. 2011)

At equity result from Continental

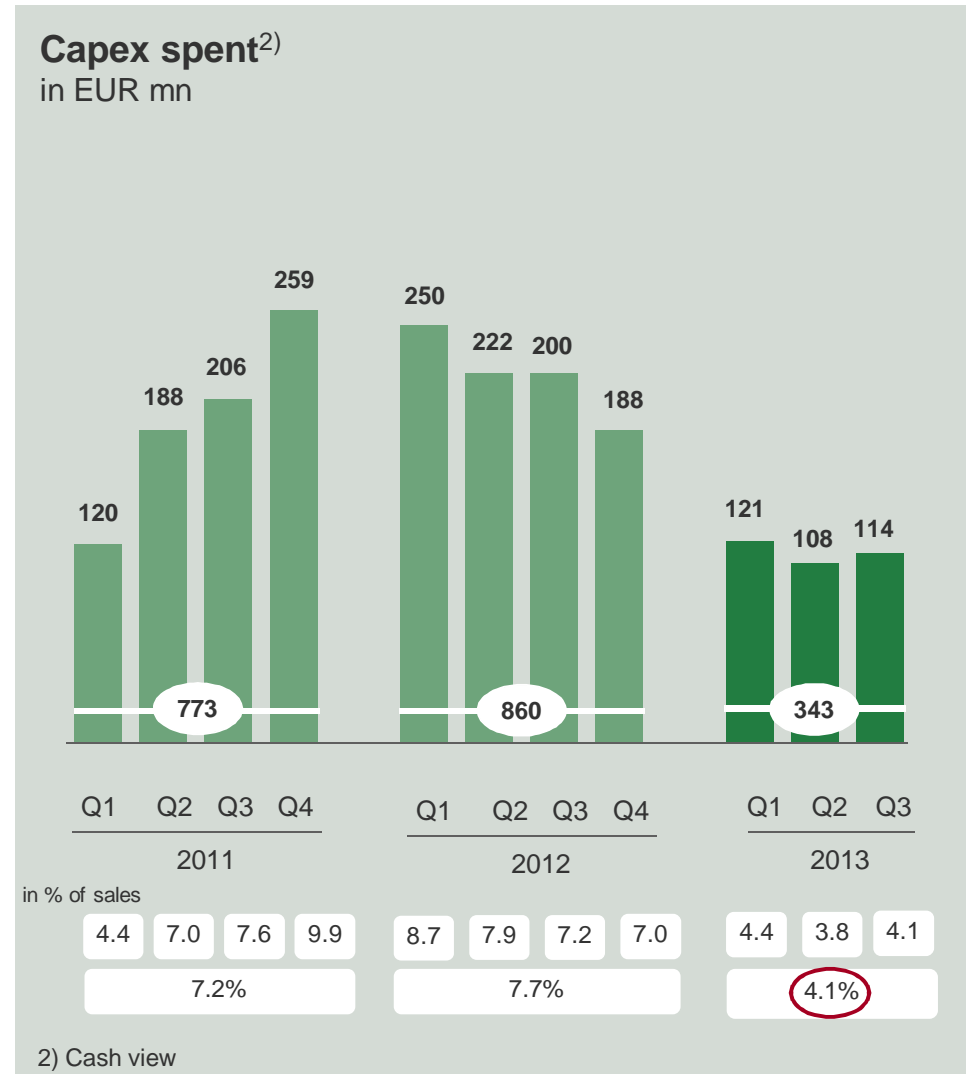
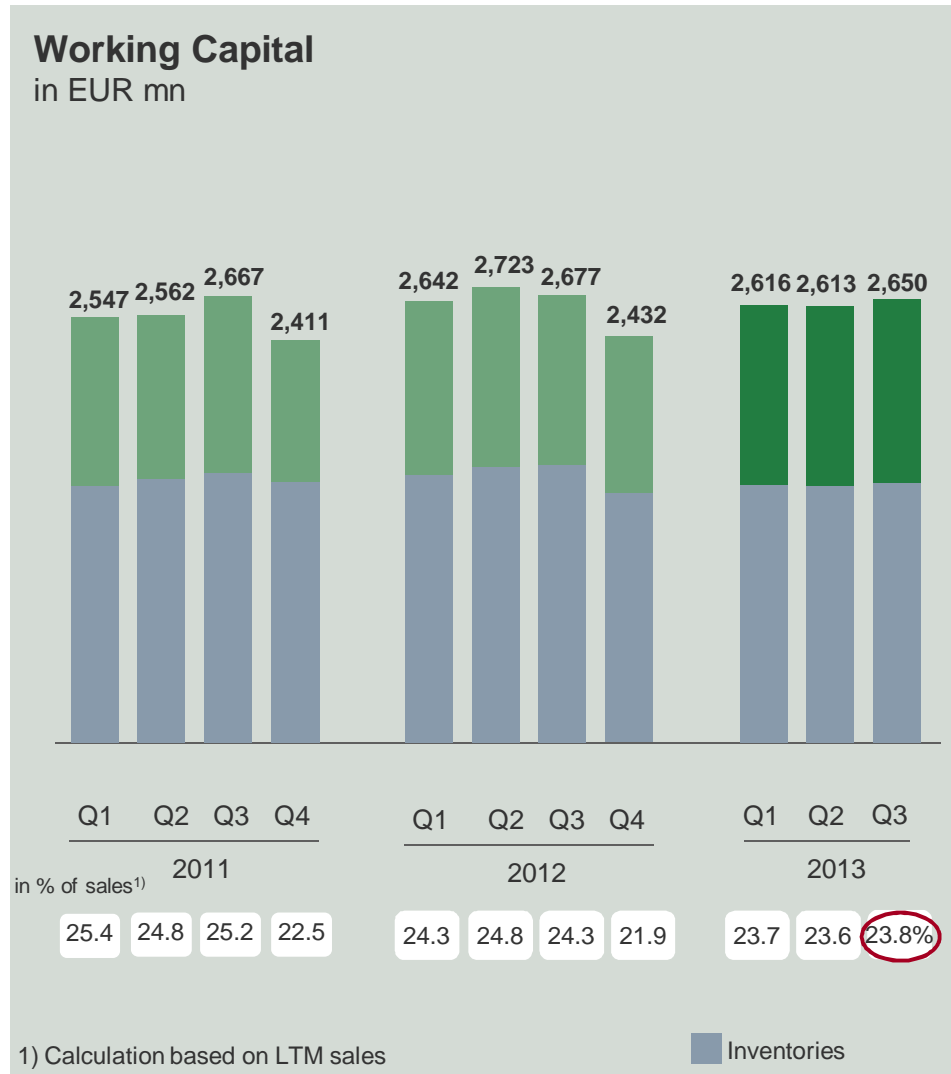
in EUR mn

	2012					2013			
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	9M
Net Income Continental	483	520	449	432	1,884	441	701	434	1,576
Conti shares (30/09/13: 34,2%)	174	189	162	156	681	160	253	155	568
PPA	-38	-40	-38	-39	-155	-25	-25	-24	-74
Other	0	0	0	27	27	0	0	0	0
At Equity Result	136	149	124	144	553	135	228	131	494

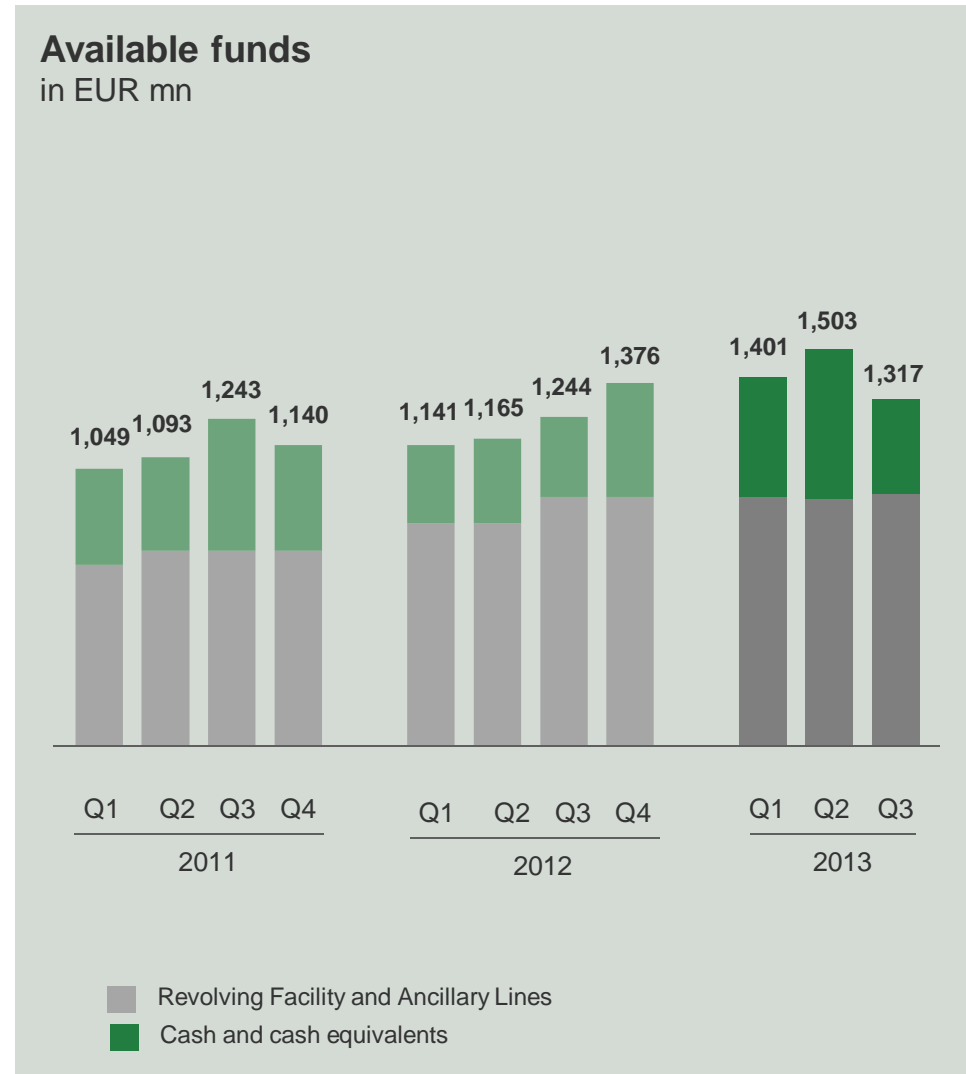
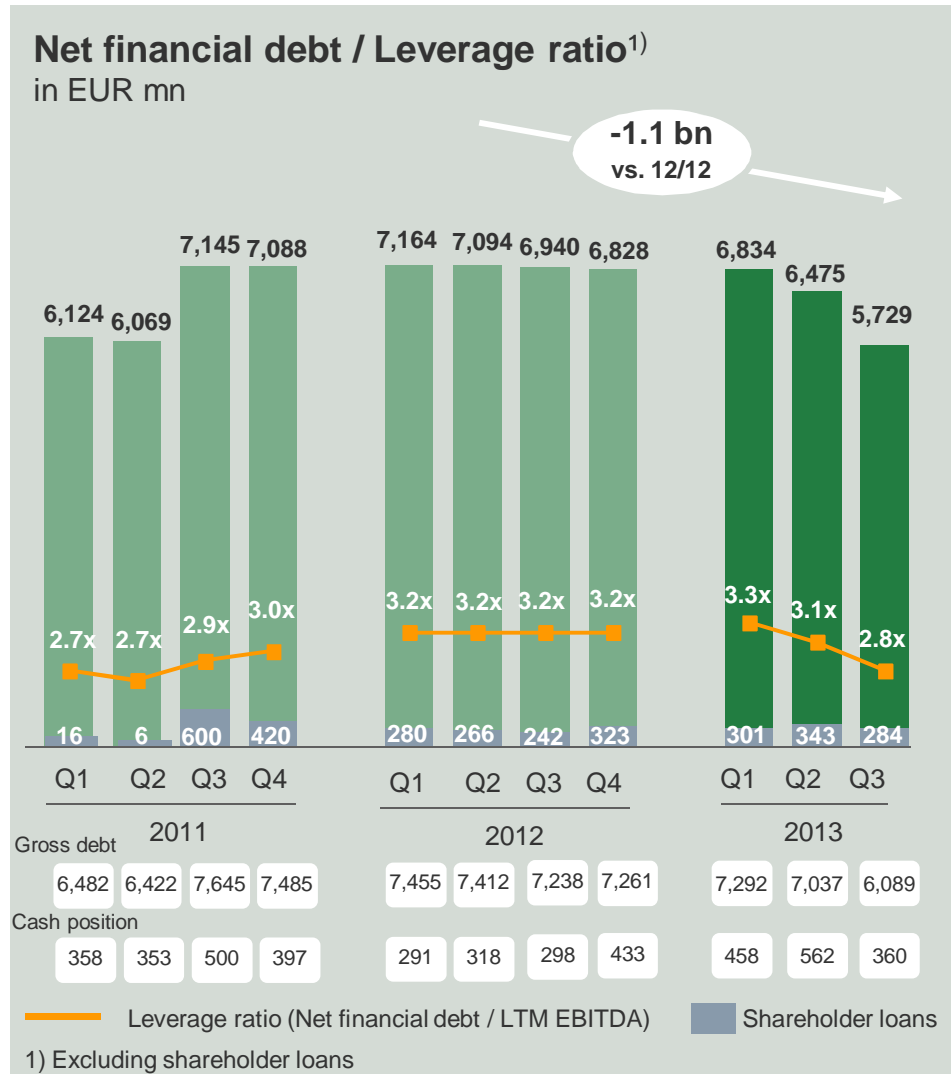
Solid free cash flow generation of EUR 589 mn – FCF Q3 at EUR 203 mn



Working capital stable – Capex adjusted to market needs



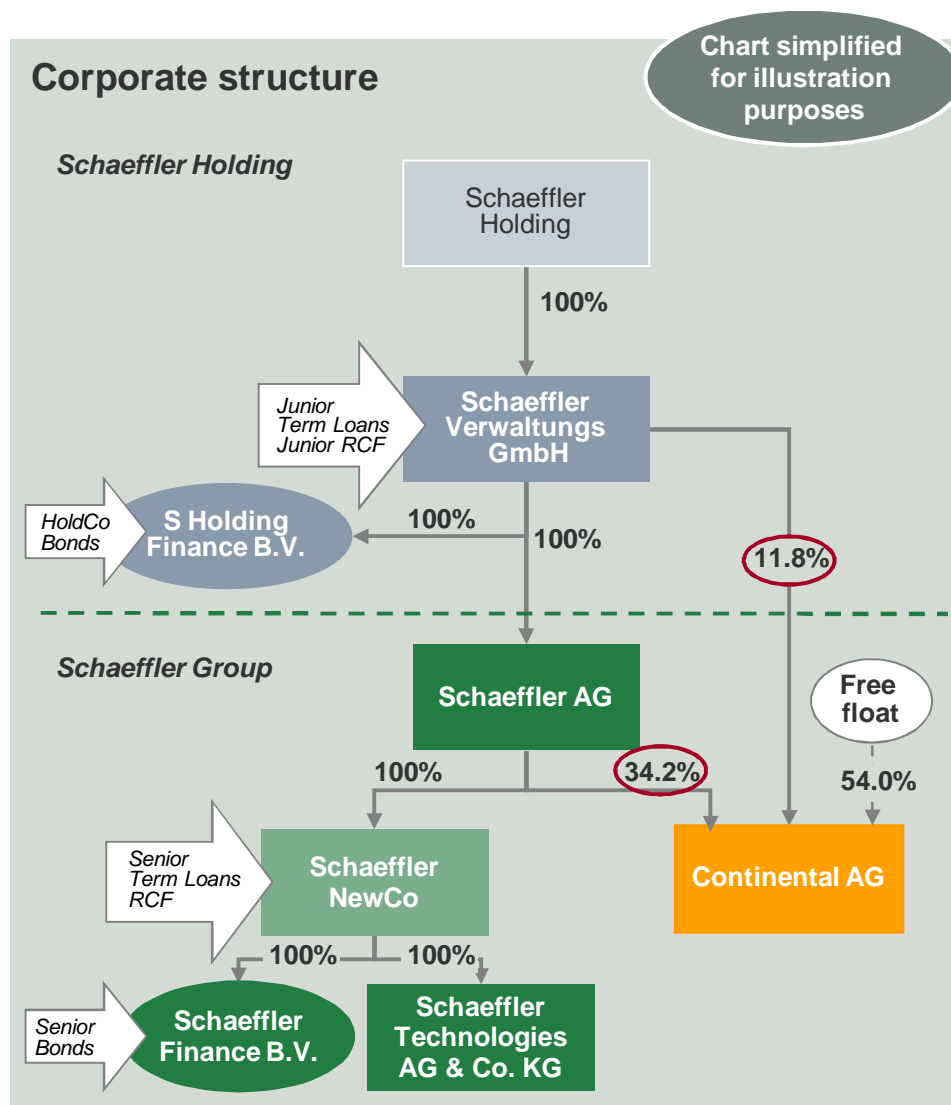
Net financial debt significantly reduced after ABO transaction



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Overview corporate and capital structure



Capital structure

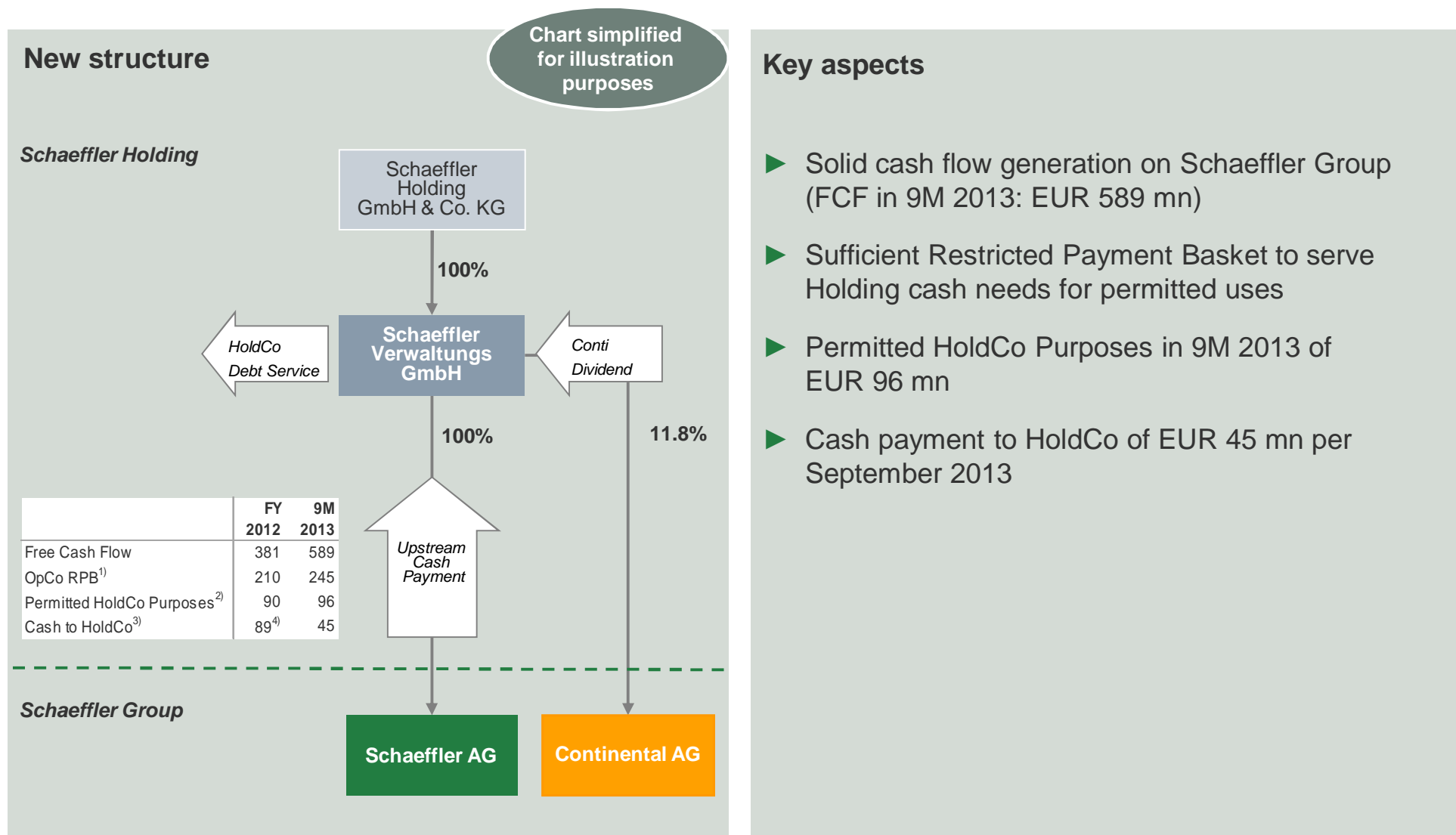
	Debt instrument	Nominal in EUR mn	Interest	Maturity	Rating	
Schaeffler Holding	6.875% SSNs 2018 (EUR) ¹⁾	800	6.875%	Aug 18	B1 / B	
	6.875% SSNs 2018 (USD) ^{1) 3)}	~769	6.875%	Aug 18	B1 / B	
	Junior Term Loan B1	937	E+5.75%	Jun-17	Not rated	
	Junior Term Loan B2	352	8.50% PIK	Jun-17	Not rated	
	Junior Term Loan B3	148	E+1.25% + 5.25% PIK	Jun-17	Not rated	
	Junior Term Loan B4	263	E+5.75%	Jun-17	Not rated	
	Junior RCF (200mn)	-	E+5.75%	Jun-17	Not rated	
Schaeffler Holding Debt		3,269				
Schaeffler Group	Senior Term Loan D	730	E+3.1875%	Jul 16	Not rated	
	Senior Term Loan C (EUR)	299	E+3.75% ²⁾	Jan 17	Ba2 / BB-	
	Senior Term Loan C (USD) ³⁾	1,307	L+3.25% ²⁾	Jan 17	Ba2 / BB-	
	Senior RCF (EUR 1,000 mn)	-	E+3.1875%	Jul 16	Not rated	
	Total Senior Facilities		2,336			
	6.75% SSNs 2017 (EUR)	326	6.75%	Jul-17	Ba2 / BB-	
	7.75% SSNs 2017 (EUR)	800	7.75%	Feb-17	Ba2 / BB-	
	7.75% SSNs 2017 (USD) ³⁾	~461	7.75%	Feb-17	Ba2 / BB-	
	4.25% SSNs 2018 (EUR)	600	4.25%	May-18	Ba2 / BB-	
	8.75% SSNs 2019 (EUR)	400	8.75%	Feb-19	Ba2 / BB-	
8.50% SSNs 2019 (USD) ³⁾	~385	8.50%	Feb-19	Ba2 / BB-		
4.75% SSNs 2021 (USD) ³⁾	~654	4.75%	May-21	Ba2 / BB-		
Total Outstanding Bonds		3,626				
Schaeffler Group Debt		5,962				
Total	Total Debt	9,231				

1) Senior Secured PIK Toggle Notes

2) Floor of 1.00

3) Assuming EUR/USD = 1.30

Cash interest payments of EUR 45 mn to HoldCo



1) RPB = Annual Restricted Payment Basket

2) Permitted purposes are administration cost, interest and taxes

3) Cash upstreamed to HoldCo under permitted purposes

4) Excluding withholding tax on Schaeffler AG dividend of EUR 79 mn

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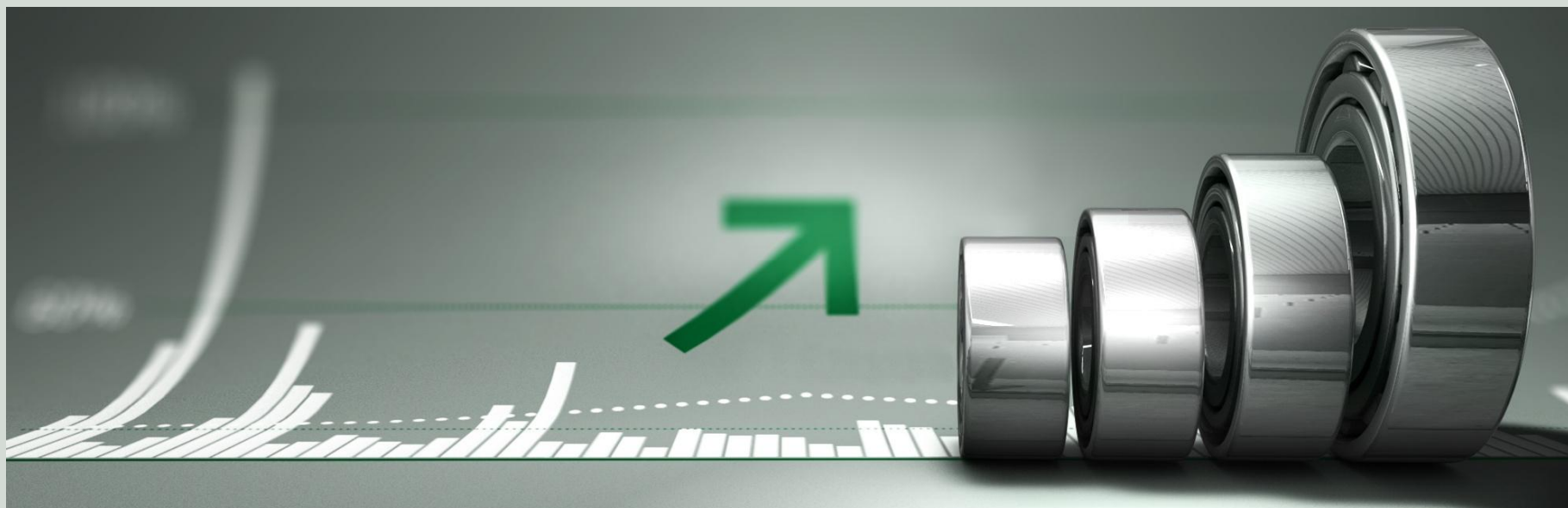
Challenging market conditions will remain

Growth		Profitability	
	Target 2013		Target 2013
Sales growth	~ 1-2 % ¹⁾	EBIT margin	~13 % ²⁾
Capex	~ 5 % of sales	Free cash flow	Sustainably positive (three digit million range)
Quality		Innovation	
	Target 2013		Target 2013
Quality policy	Further improve	R&D expenses	~ 5 % of sales
Employees	~ 2,000 new jobs	Innovation	Maintain leading position in patent applications

1) Incl. FX effects on prior year level

2) Before one-off effects

Schaeffler IR contact



Investor Relations

phone: + 49 9132 82 4440

fax: + 49 9132 82 4444

ir@schaeffler.com

www.schaeffler-group.com/ir

Financial Calendar 2013

Q3 2013 results: November 11, 2013

Q4 2013 results: March 20, 2014

Consolidated income statement

in € millions	1 st nine months			3 rd quarter		
	2013	2012	Change in %	2013	2012	Change in %
Revenue	8,425	8,422	0.0	2,811	2,770	1.5
Cost of sales	-6,048	-5,856	3.3	-2,047	-1,923	6.4
Gross profit	2,377	2,566	-7.4	764	847	-9.8
Research and development expenses	-452	-444	1.8	-152	-150	1.3
Selling expenses	-565	-574	-1.6	-187	-192	-2.6
Administrative expenses	-342	-353	-3.1	-116	-112	3.6
Other income	43	22	95.5	8	5	60.0
Other expenses	-23	-73	-68.5	-3	-34	-91.2
Earnings before financial result, share of net income of equity-accounted investees, and income taxes (EBIT)	1,038	1,144	-9.3	314	364	-13.7
Financial income ¹⁾	84	29	> 100	61	10	> 100
Financial expense ¹⁾	-468	-591	-20.8	-135	-187	-27.8
Financial result ¹⁾	-384	-562	-31.7	-74	-177	-58.2
Share of net income of equity-accounted investees	682	410	66.3	319	124	> 100
Earnings before income taxes ¹⁾	1,336	992	34.7	559	311	79.7
Income taxes ¹⁾	-310	-253	22.5	-98	-83	18.1
Net income ¹⁾	1,026	739	38.8	461	228	> 100
Attributable to shareholders of the parent company ¹⁾	1,020	729	39.9	459	225	> 100
Attributable to non-controlling interests	6	10	-40.0	2	3	-33.3

¹⁾ Prior year amounts restated for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.

Consolidated statement of financial position – Assets

in € millions	09/30/2013	12/31/2012	09/30/2012	Change in % ¹⁾
ASSETS				
Intangible assets	540	554	557	-2.5
Property, plant and equipment	3,310	3,515	3,532	-5.8
Investments in equity-accounted investees	5,160	5,040	5,193	2.4
Other investments	16	14	14	14.3
Other assets	186	150	97	24.0
Income tax receivables	14	17	15	-17.6
Deferred tax assets	371	364	392	1.9
Total non-current assets	9,597	9,654	9,800	-0.6
Inventories	1,558	1,495	1,665	4.2
Trade receivables	1,846	1,626	1,819	13.5
Other assets	241	231	228	4.3
Income tax receivables	59	107	126	-44.9
Cash and cash equivalents	360	433	298	-16.9
Total current assets	4,064	3,892	4,136	4.4
Total assets	13,661	13,546	13,936	0.8

Consolidated statement of financial position – Liabilities

in € millions	09/30/2013	12/31/2012	09/30/2012	Change in % ¹⁾
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	500	500	500	0.0
Reserves ²⁾	2,782	2,027	1,754	37.2
Accumulated other comprehensive income (loss) ²⁾	-631	-479	-256	31.7
Equity attributable to shareholders of the parent company	2,651	2,048	1,998	29.4
Non-controlling interests	55	60	62	-8.3
Total shareholders' equity	2,706	2,108	2,060	28.4
LIABILITIES				
Provisions for pensions and similar obligations	1,528	1,553	1,488	-1.6
Provisions ²⁾	84	75	71	12.0
Financial debt	5,829	7,140	7,113	-18.4
Income tax payables	340	267	218	27.3
Other liabilities	129	240	295	-46.3
Deferred tax liabilities	203	119	109	70.6
Total non-current liabilities	8,113	9,394	9,294	-13.6
Provisions	268	223	208	20.2
Financial debt	260	121	125	> 100
Trade payables	891	794	919	12.2
Income tax payables	169	232	218	-27.2
Other liabilities	1,254	674	1,112	86.1
Total current liabilities	2,842	2,044	2,582	39.0
Total shareholders' equity and liabilities	13,661	13,546	13,936	0.8

¹⁾ September 30, 2013 compared to December 31, 2012.

²⁾ Prior year amounts restated for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.

Consolidated statement of cash flows – Operating cash flow

in € millions	1 st nine months			3 rd quarter		
	2013	2012	Change in %	2013	2012	Change in %
Operating activities						
EBIT	1,038	1,144	-9.3	314	364	-13.7
Interest paid	-444	-461	-3.7	-154	-202	-23.8
Interest received	5	5	0.0	2	1	100
Income taxes paid	-207	-205	1.0	-54	-73	-26.0
Dividends received	163	81	> 100	1	1	0.0
Depreciation, amortization and impairments	476	455	4.6	158	156	1.3
Gains (losses) on disposal of assets	0	1	-100	0	1	-100
Other non-cash items	-7	-23	-69.6	7	7	0.0
Changes in:						
• Inventories	-106	-99	7.1	-46	-21	> 100
• Trade receivables	-263	-201	30.8	-4	51	-
• Trade payables	131	56	> 100	-31	-11	> 100
• Provisions for pensions and similar obligations	-25	-46	-45.7	-13	-13	0.0
• Other assets, liabilities and provisions	158	76	> 100	133	27	> 100
Cash flows from operating activities ¹⁾	919	783	17.4	313	288	8.7

Consolidated statement of cash flows – Investing and financing cash flow

in € millions	1 st nine months			3 rd quarter		
	2013	2012	Change in %	2013	2012	Change in %
Investing activities						
Proceeds from disposals of intangible assets and property, plant and equipment	10	13	-23.1	6	5	20.0
Capital expenditures on intangible assets	-11	-28	-60.7	-3	-8	-62.5
Capital expenditures on property, plant and equipment	-332	-644	-48.4	-111	-192	-42.2
Investments in other financial investments	-4	-3	33.3	-2	-2	0.0
Other investing activities	7	1	> 100	0	1	-100
Cash used in investing activities	-330	-661	-50.1	-110	-196	-43.9
Financing activities						
Dividends paid to non-controlling interests	-1	-1	0.0	0	0	0.0
Receipts from loans	2	407	-99.5	-3	237	-
Repayments of loans	-616	-434	41.9	-338	-332	1.8
Acquisitions in stages	0	-13	-100	0	0	0.0
Other financing activities ²⁾	-31	-183	-83.1	-57	-17	> 100
Cash used in financing activities	-646	-224	> 100	-398	-112	> 100
Net increase (decrease) in cash and cash equivalents	-57	-102	-44.1	-195	-20	> 100
Effects of foreign exchange rate changes on cash and cash equivalents	-16	3	-	-7	0	-
Cash and cash equivalents as at beginning of period	433	397	9.1	562	318	76.7
Cash and cash equivalents as at end of period	360	298	20.8	360	298	20.8

¹⁾ Excluding interest payments, cash flows from operating activities for the period from 01/01 to 09/30/2013 amount to EUR 1,363 m (prior year: EUR 1,244 m)

²⁾ Including payments to the shareholder, Schaeffler Verwaltungs GmbH, of EUR 45 m (prior year: EUR 183 m).

Consolidated segment information (1/2)

in € millions	Automotive		Industrial		Other		Total	
	1 st nine months		1 st nine months		1 st nine months		1 st nine months	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenue	6,129	5,755	2,296	2,617	0	50 ¹⁾	8,425	8,422
Cost of sales	-4,469	-4,152	-1,579	-1,654	0	-50 ²⁾	-6,048	-5,856
Gross profit	1,660	1,603	717	963	0	0	2,377	2,566
EBIT	851	763	187	381	0	0	1,038	1,144
- in % of revenue	13.9	13.3	8.1	14.6	-	-	12.3	13.6
Depreciation, amortization and impairments	-335	-317	-141	-138	0	0	-476	-455
Inventories ³⁾	919	933	639	732	0	0	1,558	1,665
Trade receivables ³⁾	1,352	1,269	494	550	0	0	1,846	1,819
Property, plant and equipment ³⁾	2,323	2,413	987	1,119	0	0	3,310	3,532
Additions to intangible assets and property, plant and equipment	251	482	69	176	0	0	320	658

Consolidated segment information (2/2)

	Automotive		Industrial		Other		Total	
	3 rd quarter		3 rd quarter		3 rd quarter		3 rd quarter	
in € millions	2013	2012	2013	2012	2013	2012	2013	2012
Revenue	2,053	1,918	758	839	0	13 ¹⁾	2,811	2,770
Cost of sales	-1,506	-1,371	-541	-539	0	-13 ²⁾	-2,047	-1,923
Gross profit	547	547	217	300	0	0	764	847
EBIT	272	260	42	104	0	0	314	364
- in % of revenue	13.2	13.6	5.5	12.4	-	-	11.2	13.1
Depreciation, amortization and impairments	-111	-109	-47	-47	0	0	-158	-156
Inventories ³⁾	919	933	639	732	0	0	1,558	1,665
Trade receivables ³⁾	1,352	1,269	494	550	0	0	1,846	1,819
Property, plant and equipment ³⁾	2,323	2,413	987	1,119	0	0	3,310	3,532
Additions to intangible assets and property, plant and equipment	90	143	26	56	0	0	116	199

Prior year information based on 2013 segment structure.

¹⁾ Other revenues not attributable to a segment.

²⁾ Other cost of sales not attributable to a segment.

³⁾ Amounts as at September 30.

Summary Q1 2012 – Q3 2013

in € millions	2012				2013		
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter	3 rd quarter
Income statement							
Revenue	2,858	2,794	2,770	2,703	2,756	2,858	2,811
EBITDA	549	530	520	432	512	530	472
- in % of revenue	19.2	19.0	18.8	16.0	18.6	18.5	16.8
EBIT	401	379	364	269	355	369	314
- in % of revenue	14.0	13.6	13.1	10.0	12.9	12.9	11.2
Net income ¹⁾	235	269	225	140	233	328	459
Statement of financial position							
Total assets	13,449	13,806	13,936	13,546	13,960	14,110	13,661
Shareholders' equity ²⁾	1,617	1,865	2,060	2,108	2,110	2,325	2,706
- in % of total assets	12.0	13.5	14.8	15.6	15.1	16.5	19.8
Net financial debt ³⁾	6,884	6,828	6,698	6,505	6,533	6,132	5,445
- Net financial debt to EBITDA ratio ⁴⁾	3.2	3.2	3.2	3.2	3.3	3.1	2.8
Additions to intangible assets and property, plant and equipment ⁵⁾	235	224	199	169	103	101	116
Statement of cash flows							
Free cash flow ⁶⁾	-107	137	92	259	52	334	203
Employees							
Headcount (at end of reporting period)	74,948	75,868	76,656	76,099	76,186	76,840	77,850

¹⁾ Attributable to shareholders of the parent company; comparative amounts restated for initial application of IAS 19 (rev. 2011), see condensed notes to consolidated interim financial statements for details.

²⁾ Including non-controlling interests.

³⁾ Excluding shareholder loans.

⁴⁾ EBITDA based on the last twelve months.

⁵⁾ Additions to intangible assets and property, plant and equipment for the quarter.

⁶⁾ Free cash flow for the quarter.