

**Results H1 2014
Schaeffler Group**

Mobility for tomorrow

**Klaus Rosenfeld
Chief Executive Officer / Chief Financial Officer**

August 27, 2014

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Agenda

- 1 Overview
- 2 Results H1 2014
- 3 Financing and capital structure
- 4 Outlook

H1 2014 sales at record level of EUR 6.0 bn



New demonstrator vehicle STEP 2



Schaeffler Surface Technology Center

H1 2014 sales at record level of EUR 6.0 bn;
FX adjusted sales increased by 9.6% (as reported 6.7%)

Automotive sales growth of 11.7% FX-adjusted (as reported 8.9%);
Industrial sales growth of 4.3% FX-adjusted (as reported 0.9%)

Adjusted EBIT margin in H1 2014 13.2% (before adjustment 13.1%);
earnings quality above target range

Free Cash Flow minus EUR 179 mn in H1 2014 due to one-off effects
from EU antitrust (EUR 371 mn) and refinancing (EUR 158 mn)

Refinancing of EUR 3.5 bn successfully finalized in Q2 2014;
cost of debt reduced from 5.7% to 4.6%

'Mobility for tomorrow' – Schaeffler exclusive technology partner in Formula E

Mobility for tomorrow



1 Environmentally friendly drives



Urban mobility 2

"Mobility for tomorrow"



3 Interurban mobility



Energy chain 4

Formula E Sponsoring

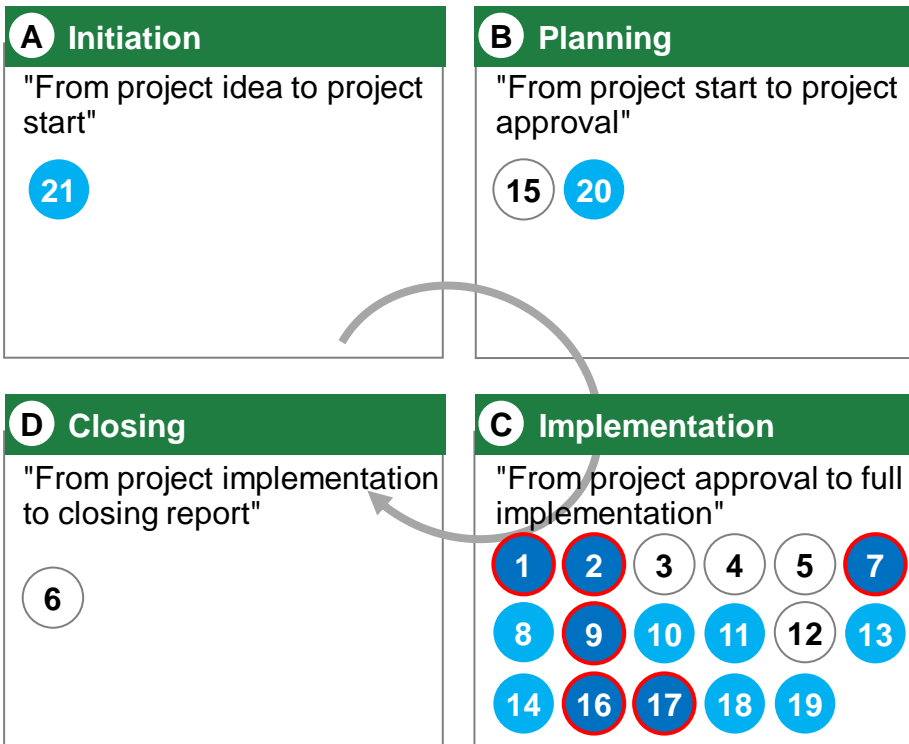


- ▶ New racing series Formula E features pure electric powered vehicles
- ▶ Schaeffler acts as exclusive technology partner for the only German team ABT Sportsline
- ▶ Starting in the second season, the teams will be allowed to subject some of the vehicles' components to further development

Program 'ONE Schaeffler' with good progress

Completion rate 32%

Initiative Portfolio



Priority of Projects

High Medium Low

21 Initiatives

Initiative	Progress	Target
1 Governance & Organization	35%	100%
2 Compliance Management System	>25%	100%
3 Footprint SEA	35%	100%
4 Business Portfolio Automotive	>25%	100%
5 Long-term positioning AAM 2020	>25%	100%
6 Bearing Technology	95%	100%
7 Business Portfolio Industrial	30%	100%
8 EDZ	>25%	100%
9 R&D Efficiency and Global Footprint	30%	100%
10 Schaeffler Production System	>25%	100%
11 Schaeffler Logistics	>25%	100%
12 Schaeffler Purchasing	>25%	100%
13 Integrated Planning	60%	100%
14 Business Process Management	>25%	100%
15 IT Strategy 2020	<25%	100%
16 Cost Allocation Initiative	>25%	100%
17 Intercompany Processes	30%	100%
18 Global Reporting	>25%	100%
19 Global Talent Management	40%	100%
20 One Schaeffler India	<25%	100%
21 Industrial Aftermarket	<10%	100%

Overview results H1 2014

in EUR mn

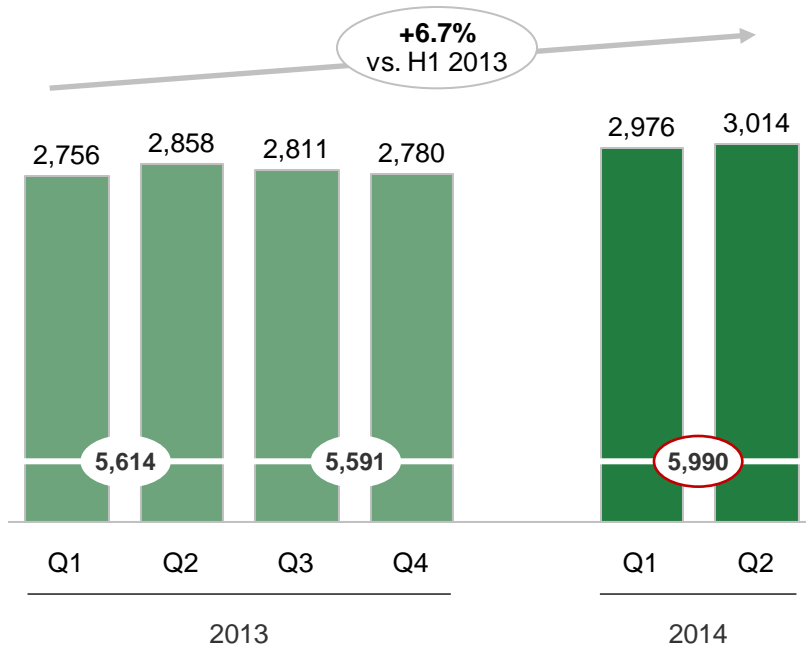
	H1 14	H1 13	H1 14 adj. vs. H1 13	Q2 14 ¹⁾	Q2 13	Q2 14 adj. vs. Q2 13
Sales	5,990	5,614	+6.7%	3,014	2,858	+5.5%
EBITDA/ Adj. EBITDA ¹⁾	1,099 1,101	1,042	+5.7%	530 541	530	+2.1%
EBITDA margin/ Adj. EBITDA margin ¹⁾	18.3% 18.4%	18.6%	-0.2%-pts.	17.6% 17.9%	18.5%	-0.6%-pts
EBIT/ Adj. EBIT ¹⁾	787 789	724	+9.0%	373 384	369	+4.1%
EBIT margin/ Adj. EBIT margin ¹⁾	13.1% 13.2%	12.9%	+0.3%-pts.	12.4% 12.7%	12.9%	-0.2%-pts
Net income	574	561	+13 mn	192	328	-136 mn
Working capital ²⁾	2,786	2,343	-443 mn	2,786	2,343	-443 mn
Capex	298	229	+69 mn	143	108	+35 mn
Free cash flow	-179	386	-565 mn	-160	334	-494 mn
Net debt ²⁾	6,362	5,890	+472 mn	6,362	5,890	-472 mn
Leverage ratio ^{2) 3)}	2.7x	2.6x	+0.1x	2.7x	2.6x	+0.1x

1) Excluding one-off effects 2) Prior year figure as per December 31, 2013 3) Net financial debt excl. shareholder loans to adjusted EBITDA ratio

Record sales of around EUR 6 bn in H1 2014

Sales

in EUR mn

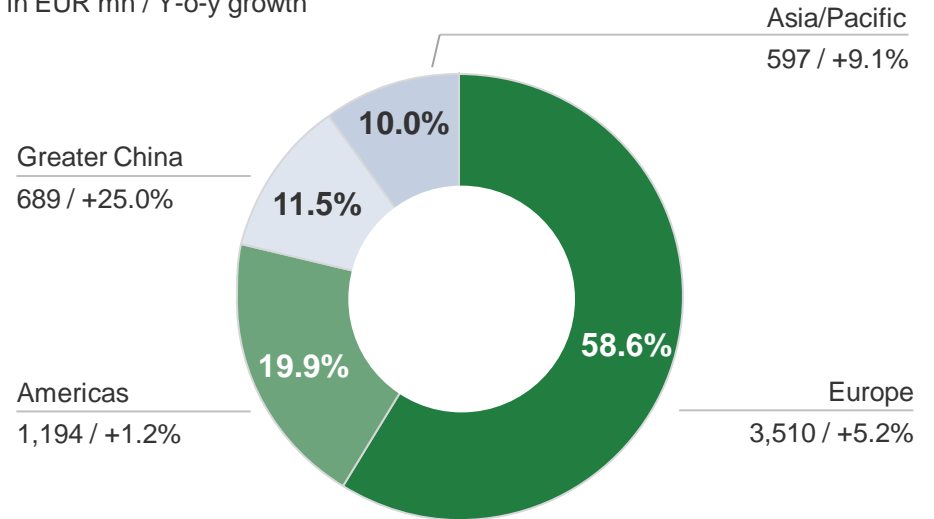


Gross profit margin in %

28.7	28.8	27.2	28.7	29.1	28.1
28.7		28.0		28.6	

H1 2014 sales by region¹⁾

in EUR mn / Y-o-y growth



1) Market view (= location of customers)

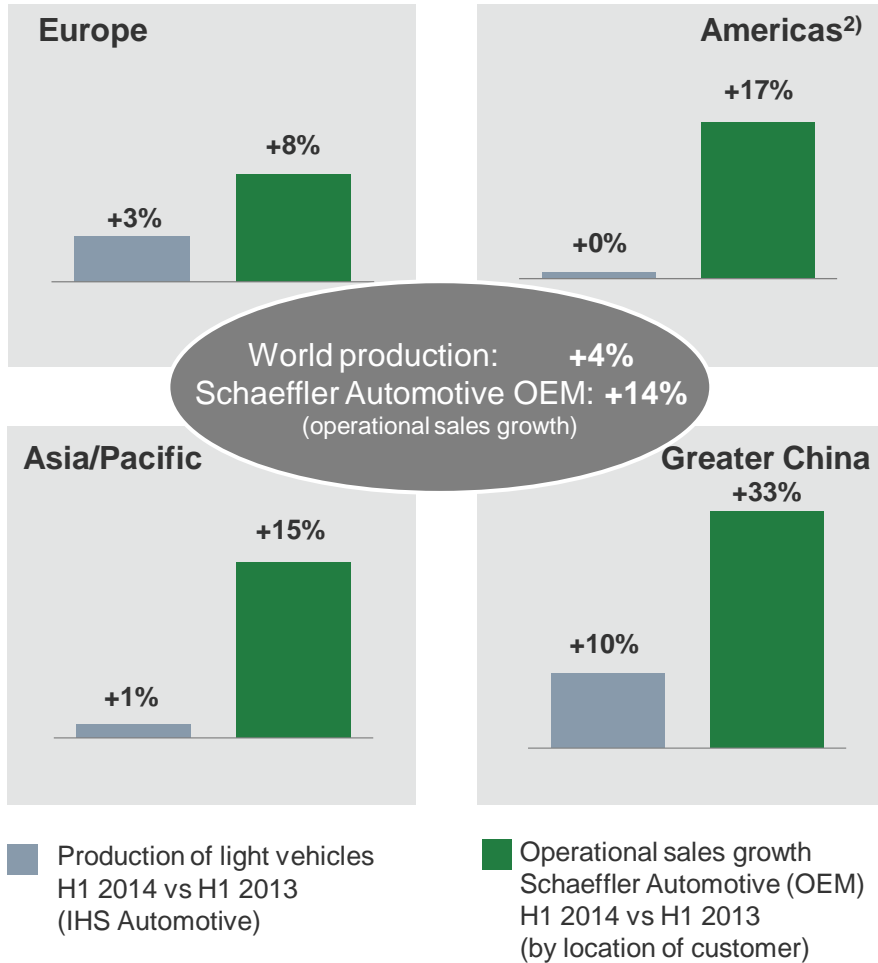
Sales by division

in EUR mn

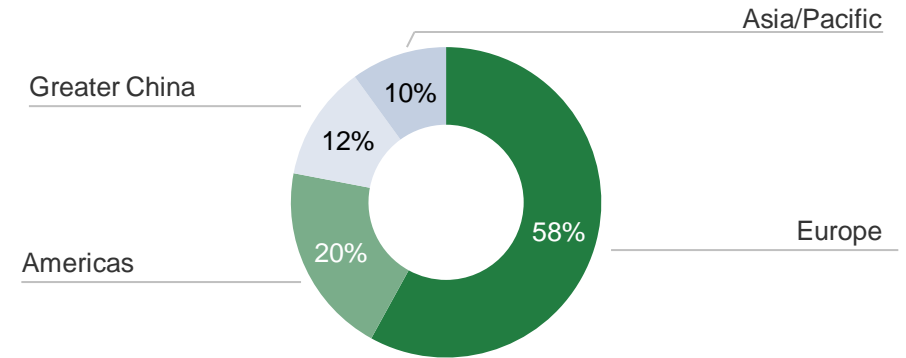
	H1 14	H1 13	Δ	Δ excl. FX effects
Automotive	4,437	4,075	+8.9%	+11.7%
Industrial	1,553	1,539	+0.9%	+4.3%
Total	5,990	5,614	+6.7%	+9.6%

Sales Automotive – Continued growth above market

Sales development Automotive¹⁾



Regional distribution



Key aspects

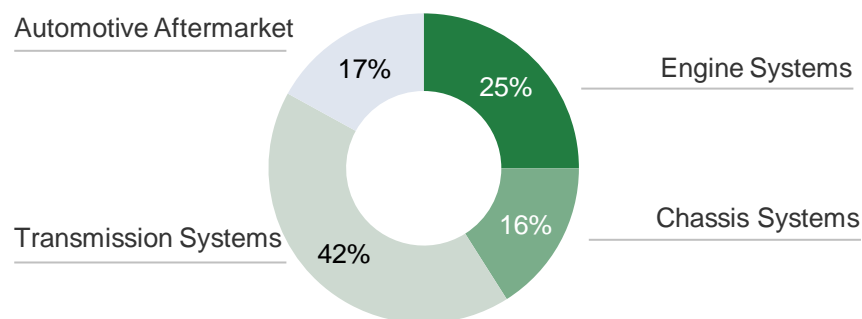
- Schaeffler Automotive again strongly outgrew global automotive production in H1 2014
- All business divisions and all regions contributed to overall growth
- Strong sales growth in China results from high localization rate and new production start-ups

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 in Asia/Pacific).

2) Operational sales growth Schaeffler Automotive (OEM) in North America +24% (light vehicles production +4%) and in South America -18% (light vehicle production -16%).

Sales Automotive – Growth across all areas

Sales split



Sales H1 2014 vs. H1 2013

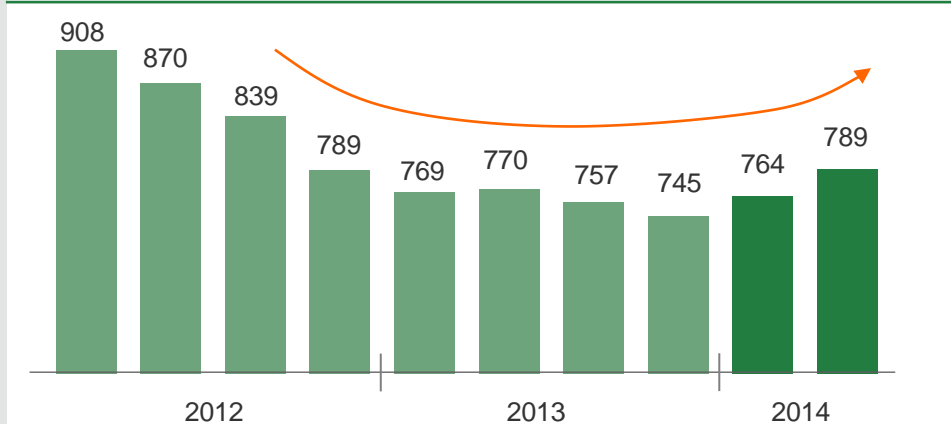
in EUR mn	H1 2014	H1 2013	Δ
Engine	1,116	1,016	+9.8%
Transmission	1,877	1,659	+13.1%
Chassis	686	657	+4.4%
Aftermarket	758	743	+2.0%
Total	4,437	4,075	+8.9%

Key aspects

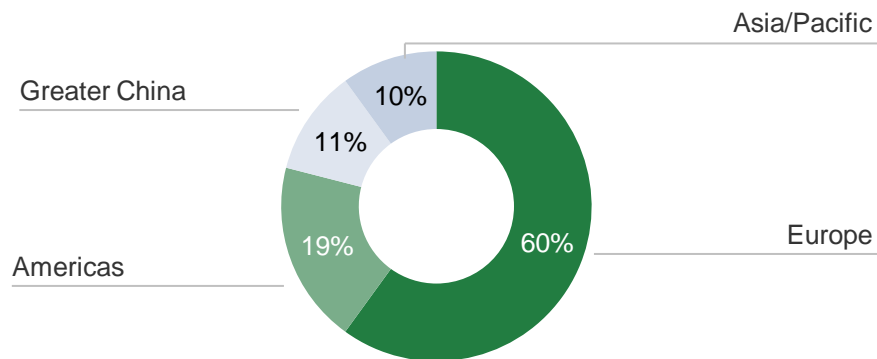
- FX-adjusted growth rate of Automotive Division +11.7%, growth rate as reported +8.9%
- *Engine Systems*: Growth driven among others by the top-selling product groups camshaft phasing units and valve train components
- *Transmission Systems*: Growth driven by dry double clutches and top-selling product groups like variable transmission systems (CVT), tapered roller bearings and dual-mass flywheels
- *Chassis Systems*: Growth driven among others by ball screw drives used for instance in electro-mechanical power steering systems and chassis solutions (e.g. in electromechanical parking brakes)
- *Automotive Aftermarket*: Increase in sales includes higher sales of service kits for belt tensioners as well as repair solutions for dual-mass flywheels

Sales Industrial – Improving trend

Sales trend



Regional distribution



Key aspects

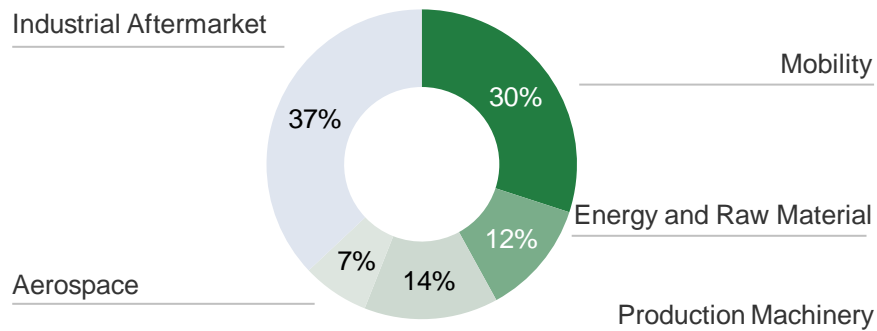
- Sales Industrial with improving trend; FX-adjusted growth rate +4.3% (as reported 0.9%)
- Positive order intake, orders on hand slightly above prior-year level
- Slight increase in sales in Europe
- Strong sales increase in Greater China across all sectors except Aerospace and Aftermarket

Sales H1 2014 vs. H1 2013

in EUR mn	H1 2014	H1 2013	Δ
Industrial Applications	976	971	+0.5%
Industrial Aftermarket	577	568	+1.6%
Total	1,553	1,539	+0.9%

Sales Industrial – Positive revenue trend supported by certain sectors

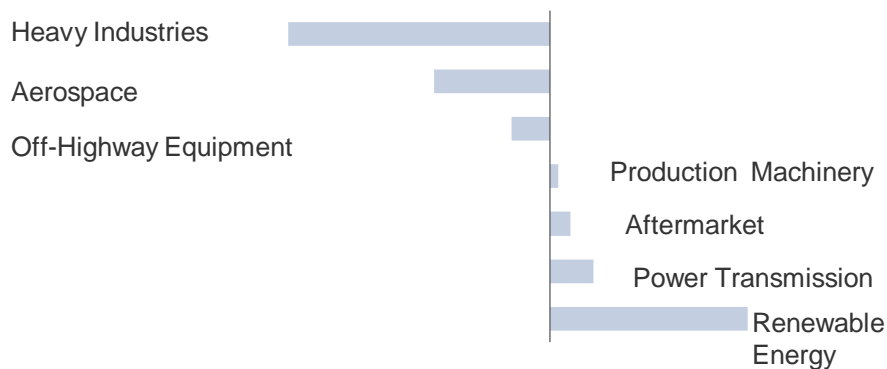
Sales split



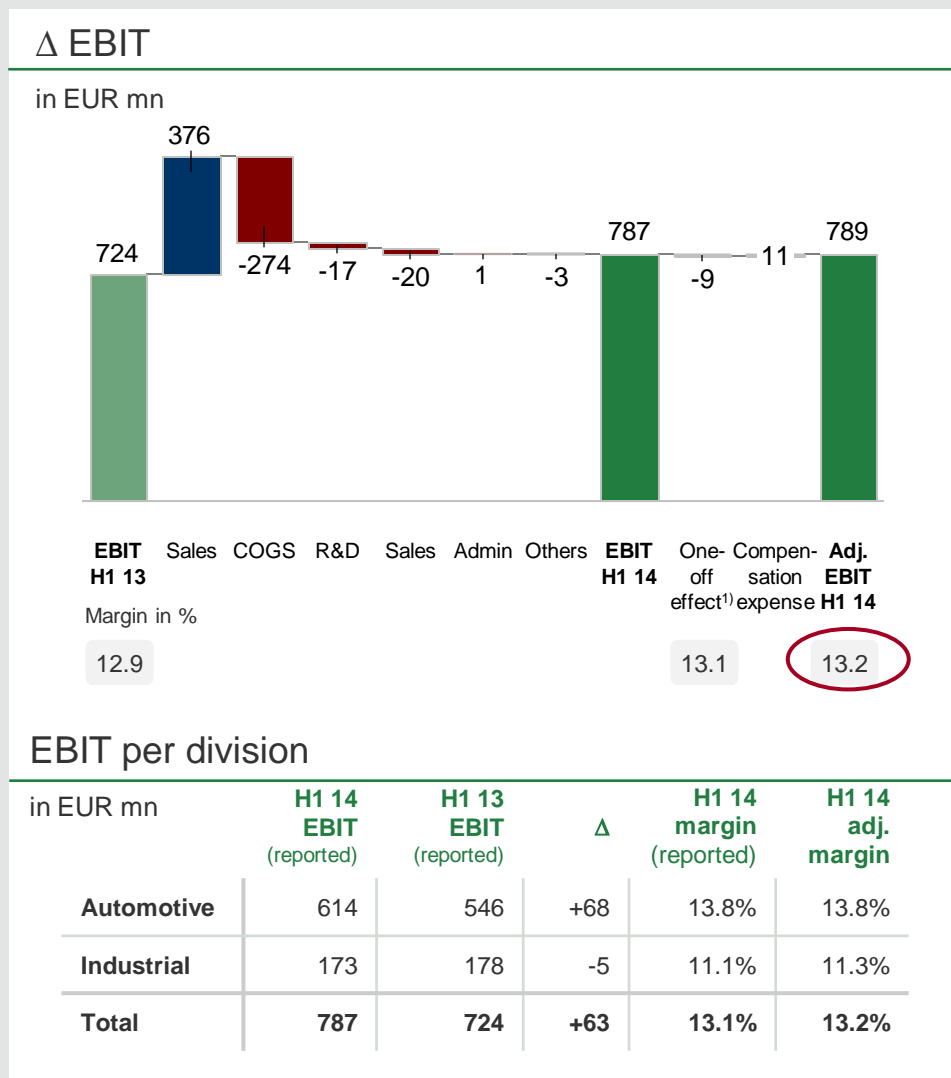
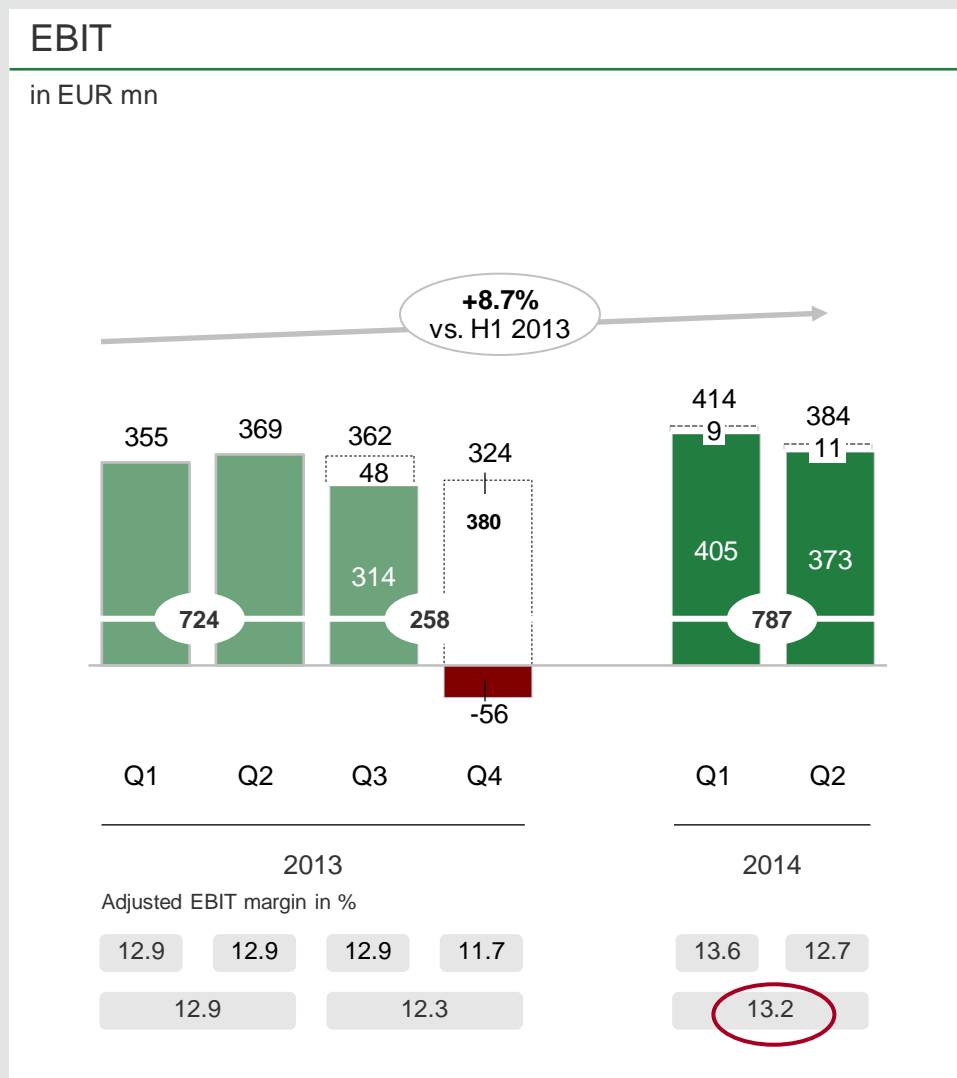
Key aspects

- Industrial OEM business with mixed development across sectors
 - Mobility: Slight increase in sales
 - Sales increase largely driven by expansion of Chinese railway system
 - Increase in Power Transmission sector
 - Production Machinery: Slight increase in sales
 - Strong increase in tooling machinery
 - Slight decrease in textile and printing machinery
 - Energy and Raw Materials: Slight decrease in sales
 - Positive development in renewable energy sector (especially wind) in Europe and China
 - Heavy Industries: Decrease in steel industry in Europe and in mining industry in Americas
 - Aerospace: Decrease in sales
 - Negative political developments in Eastern Europe
 - Negative FX effects
- Industrial Aftermarket: Improvement in Europe, inventory reductions of distributors leading to sales decrease in Greater China and Asia/Pacific

Sales H1 2014 vs. H1 2013



Adjusted EBIT margin at 13.2% – Earnings quality above target range

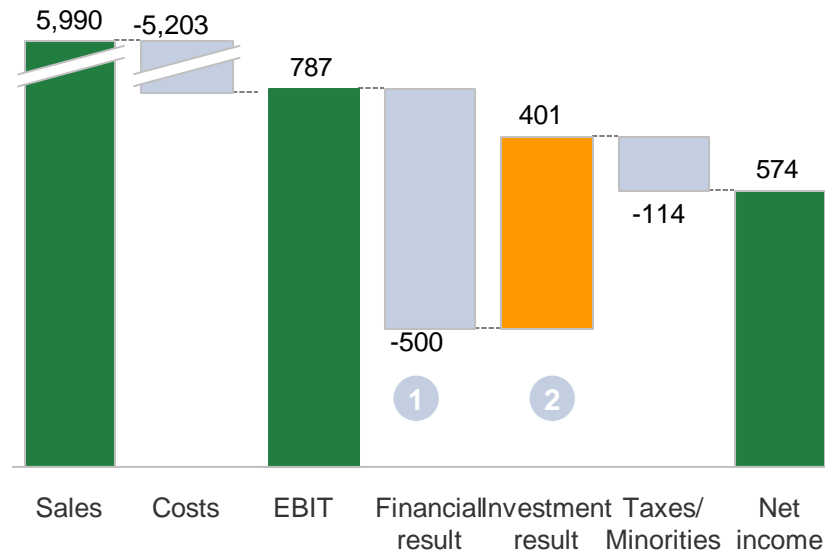


1) Positive one-off effect from the release of provision for antitrust fine in Q1 2014

Net income EUR 574 mn

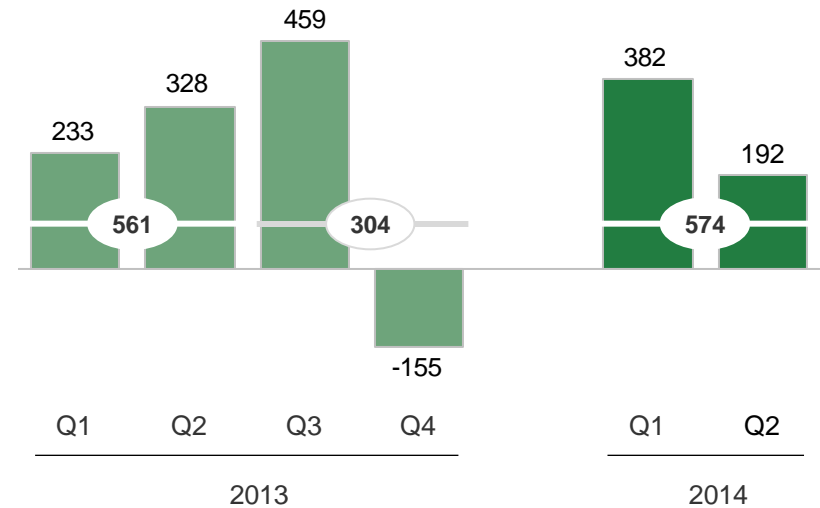
Net income H1 2014¹⁾

in EUR mn



Net income¹⁾

in EUR mn

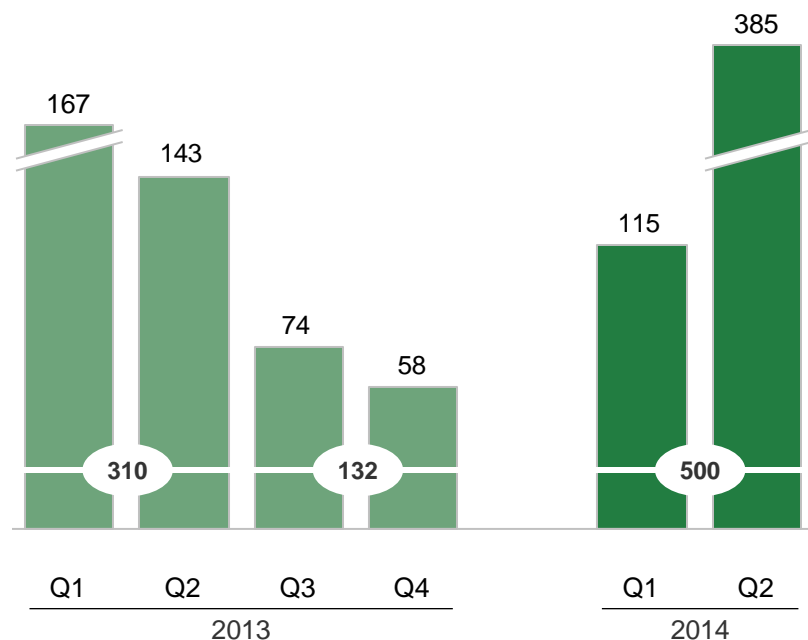


1) Net income attributable to the shareholders of the parent company

1 Financial result minus EUR 500 million

Financial result¹⁾

in EUR mn



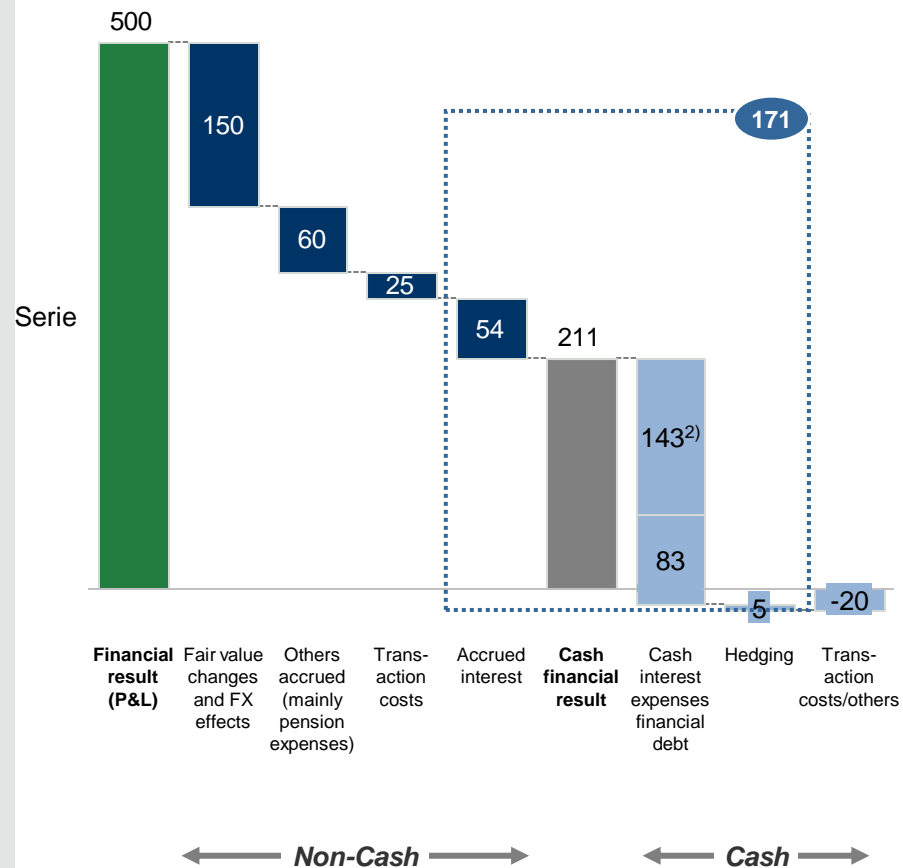
Special items regarding the refinancing in Q2 2014

One-off amortization of call options of early redeemed bonds	107
One-off amortization of transaction cost of early redeemed bonds	14
Prepayment fee	114
Accrued interest	29
Total	264

1) For presentation purposes negative results are shown as positive figures

Composition of financial result¹⁾

in EUR mn

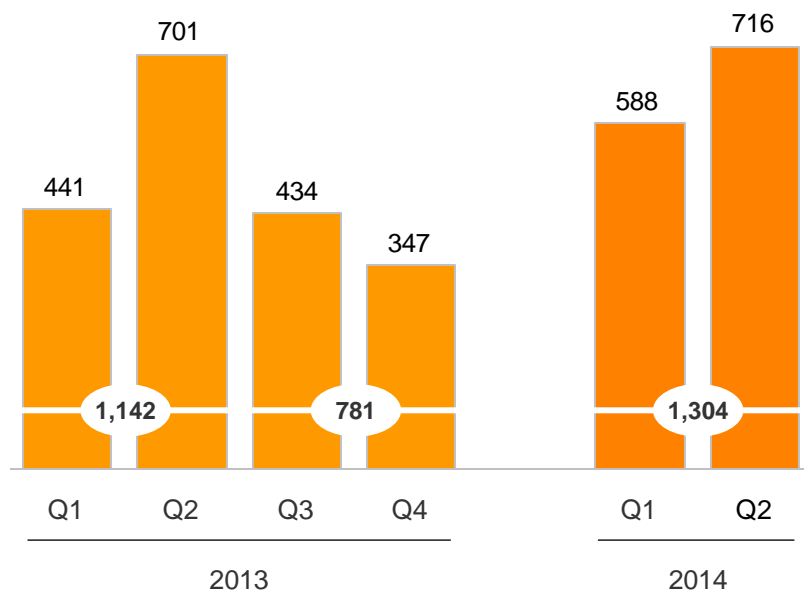


2) Prepayment fee EUR 114 mn + accrued interest EUR 29 mn

2 At equity result Continental AG EUR 402 mn

Net income Continental

in EUR mn



Sales

8,033	8,541	8,350	8,407
16,574	16,757		

EBIT

747	883	886	747
1,630	1,633		

8,390	8,528
16,918	

903	907
1,810	

At equity result from Continental

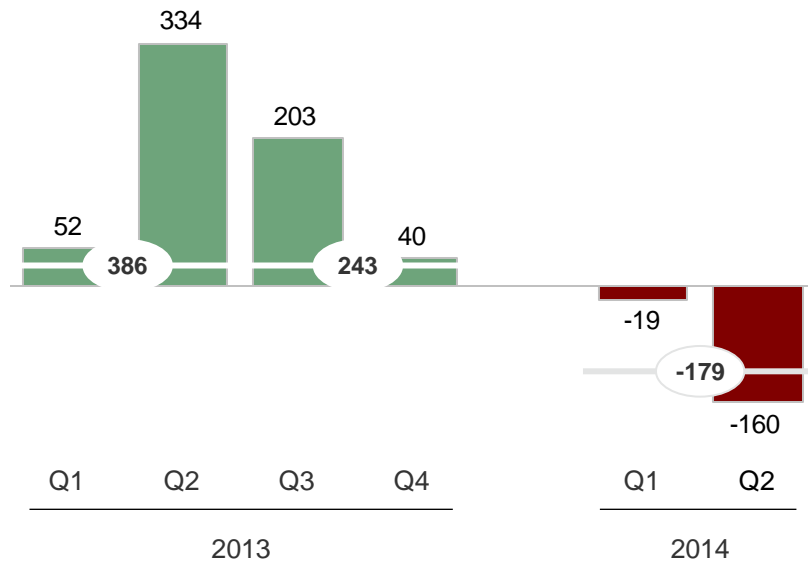
in EUR mn

	H1 2013	H1 2014	Q1 2014	Q2 2014
Net Income Continental	1,142	1,304	588	716
Conti shares (per 30/06/2014: 34,2%)	413	446	201	245
PPA	-50	-45	-22	-23
Other	0	1	1	0
At Equity Result	363	402	180	222

Free cash flow H1 2014 of minus EUR 179 mn due to one-off effects

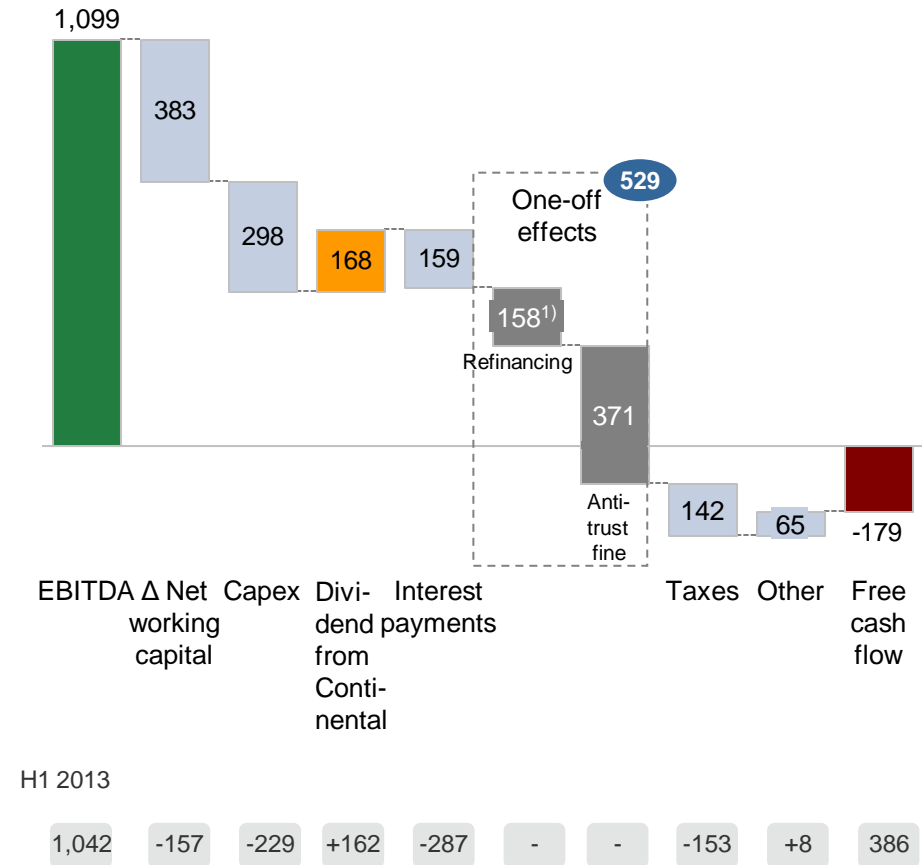
Free cash flow

in EUR mn



Free cash flow H1 2014

in EUR mn



H1 2013

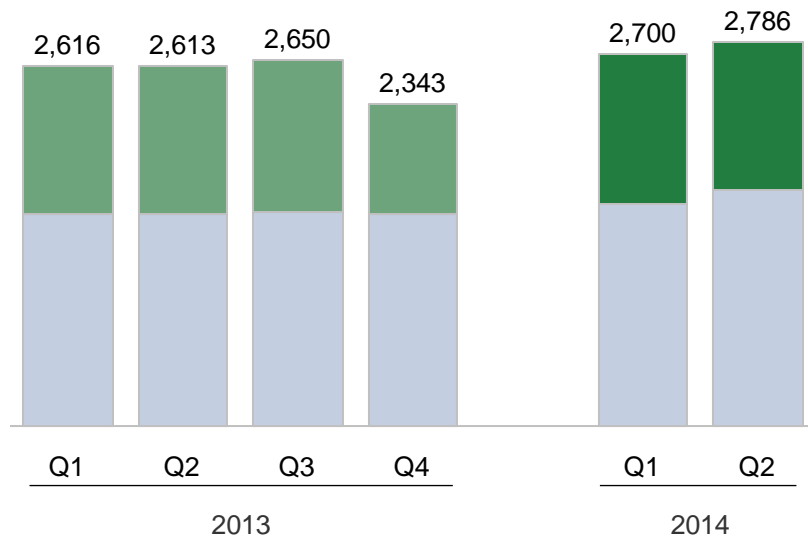
1,042	-157	-229	+162	-287	-	-	-153	+8	386
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1) Prepayment fee EUR 114 mn + accrued interest EUR 29 mn + transaction cost EUR 15 mn

Working Capital efficiency 24.1% of sales – Capex 5.0% of sales

Working Capital

in EUR mn



In % of sales¹⁾

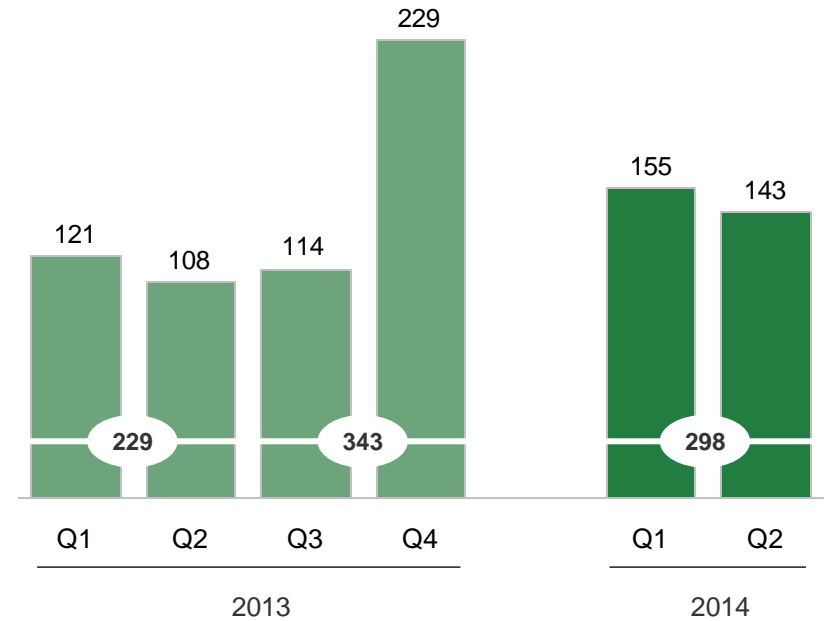


■ Inventories

1) Calculation based on LTM sales

Capex spent¹⁾

in EUR mn



In % of sales

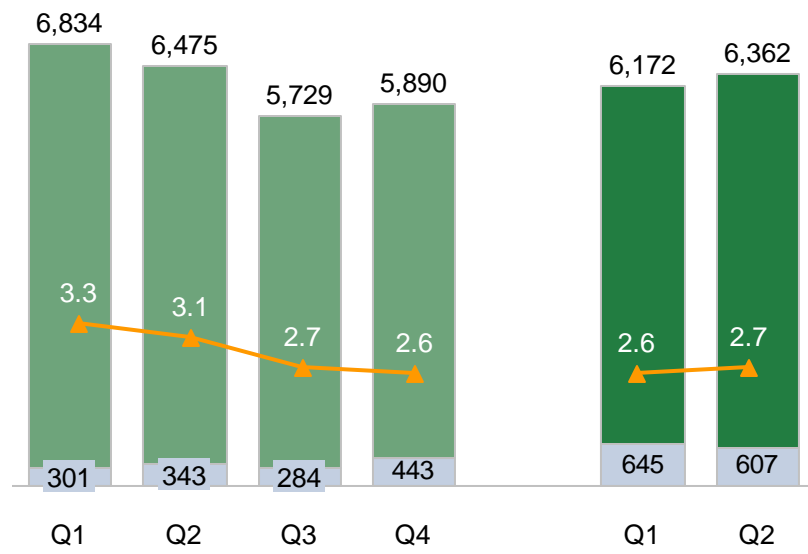


1) Cash view

Leverage ratio at 2.7x

Net financial debt

in EUR mn



Gross debt

7,292 7,037 6,089 6,190

Cash position

458 562 360 300

Shareholder Loans

▲ Leverage ratio (Net financial debt w/o shareholder loans / LTM Adjusted EBITDA)

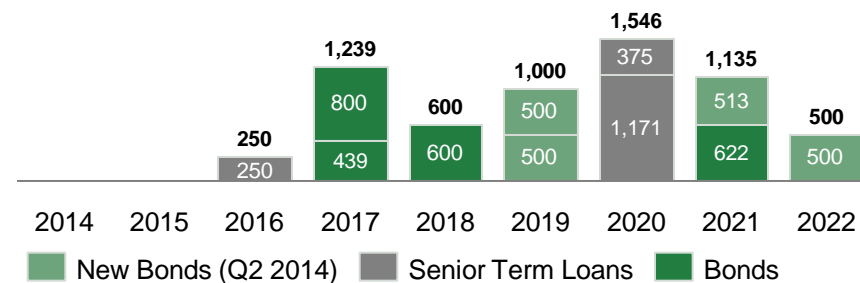
Development leverage ratio

in EUR mn

	12/31/13	06/30/14
Gross debt	6,190	6,833
- Cash	300	471
= Net financial debt	5,890	6,362
- Shareholder loans	443	607
= Net financial debt (w/o shareholder loans)	5,447	5,755
÷ LTM EBITDA adjusted	2,062	2,121
= Leverage ratio	2.6	2.7

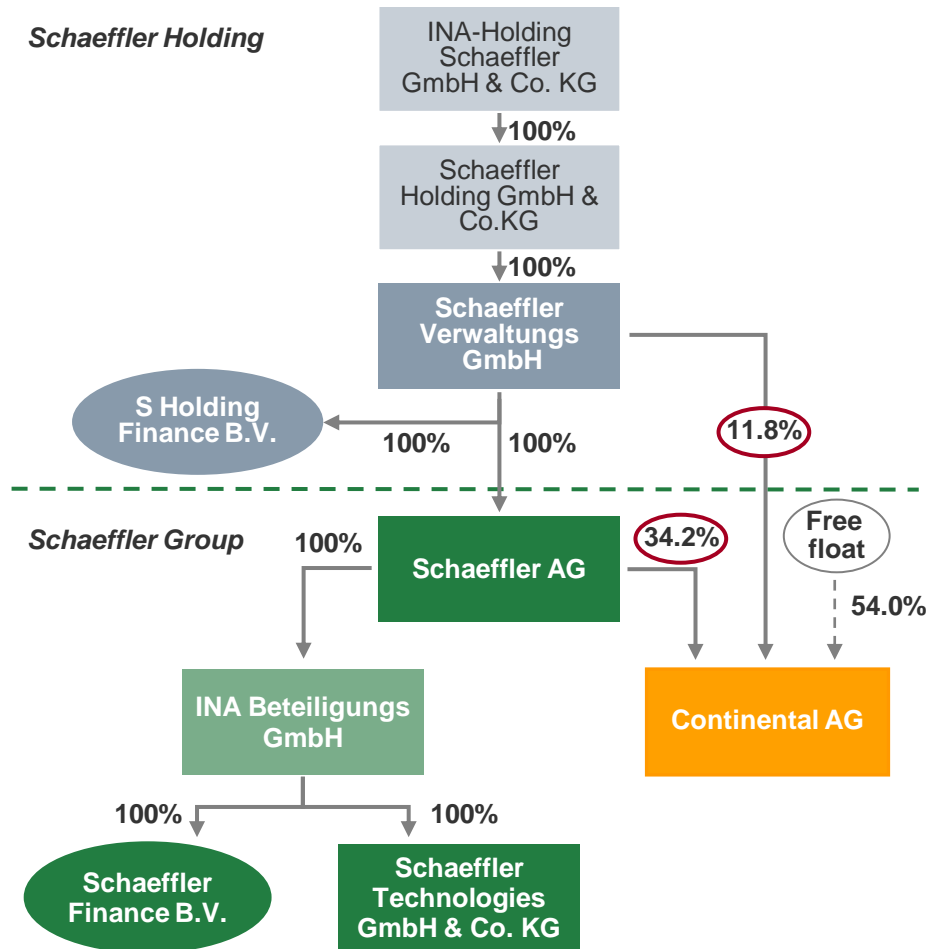
Maturity profile

in EUR mn



Overview corporate and capital structure

Corporate structure



Capital structure (as of June 30, 2014)

	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)}	~732	6.875%	Aug-18	B1 / B
	Total Junior Facilities	1,532			
	Junior Term Loan B1	905	E+5.25%	Jun-17	Not rated
	Junior Term Loan B2	354	8.50% PIK	Jun-17	Not rated
	Junior Term Loan B3	110	E+1.25% + 5.25% PIK	Jun-17	Not rated
	Junior Term Loan B4	286	E+5.25%	Jun-17	Not rated
	Junior RCF (EUR 200 mn)	-	E+5.25%	Jun-17	Not rated
	Total Bond Debt	1,655			
	Schaeffler Holding Debt	3,187			
Schaeffler Group	Senior Term Loan D	250	E+2.875%	Jun-16	Not rated
	Senior Term Loan E (EUR)	375	E ²⁾ +3.00%	May-20	Ba2 / BB-
	Senior Term Loan E (USD) ³⁾	~1,171	L ²⁾ +3.00%	May-20	Ba2 / BB-
	Senior RCF (EUR 1,000 mn)	-	E+2.875%	Jun-16	Not rated
	Total Senior Facilities	1,796			
	7.75% SSNs 2017 (EUR)	800	7.75%	Feb-17	Ba2 / BB-
	7.75% SSNs 2017 (USD) ³⁾	~439	7.75%	Feb-17	Ba2 / BB-
	4.25% SSNs 2018 (EUR)	600	4.25%	May-18	Ba2 / BB-
	2.75% SSNs 2019 (EUR)	500	2.75%	May-19	Ba2 / BB-
	3.25% Unsec.Ns 2019 (EUR)	500	3.25%	May-19	B1 / B
4.75% SSNs 2021 (USD) ³⁾	~622	4.75%	May-21	Ba2 / BB-	
4.25% SSNs 2021 (USD) ³⁾	~513	4.25%	May-21	Ba2 / BB-	
3.50% SSNs 2022 (EUR)	500	3.50%	May-22	Ba2 / BB-	
Total Outstanding Bonds	4,474				
Schaeffler Group Debt	6,271				
Total	Total Debt	9,458			

1) Senior Secured PIK Toggle Notes

2) Floor of 0.75 %

3) Assuming EUR/USD = 1.3658

Guidance 2014 unchanged

Growth	
Sales growth	>7% ¹⁾
Capex	6-8% of sales

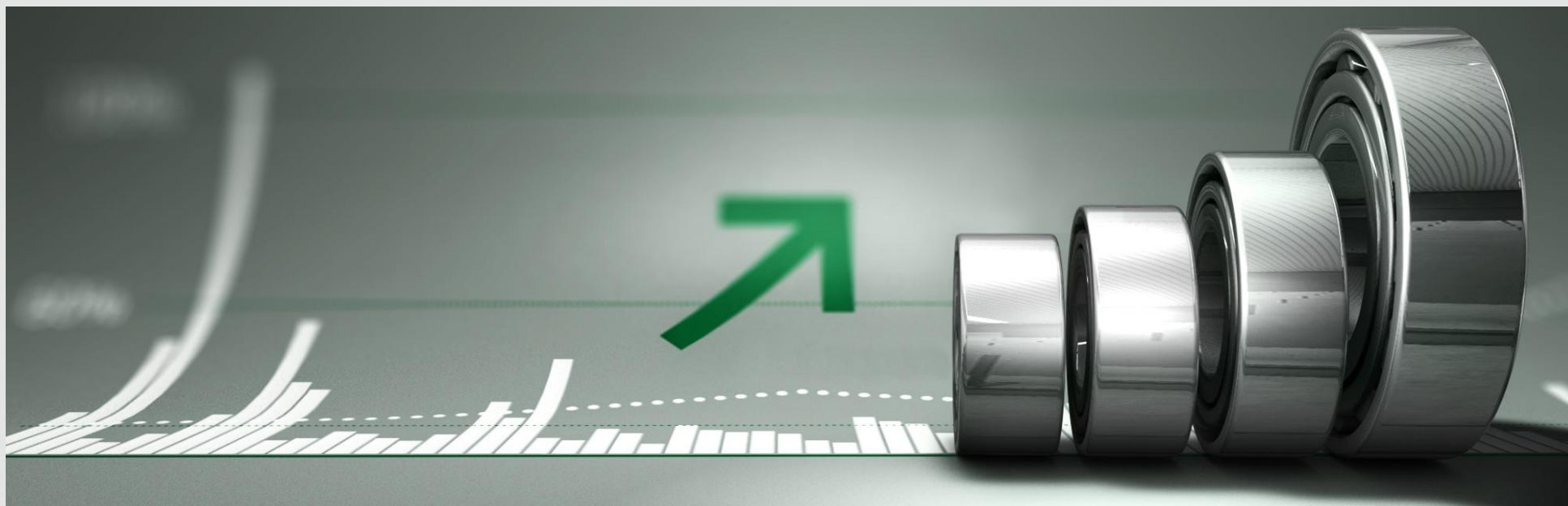
1) FX adjusted

Profitability	
EBIT margin	12-13%
Free cash flow	Positive

Quality	
Quality policy	Further improve
Employees	~ 3,000 new jobs

Innovation	
R&D expenses	5% of sales
Innovation	Maintain leading position in patent applications

Schaeffler IR contact



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Financial calendar 2014

Results H1 2014: **August 27, 2014**

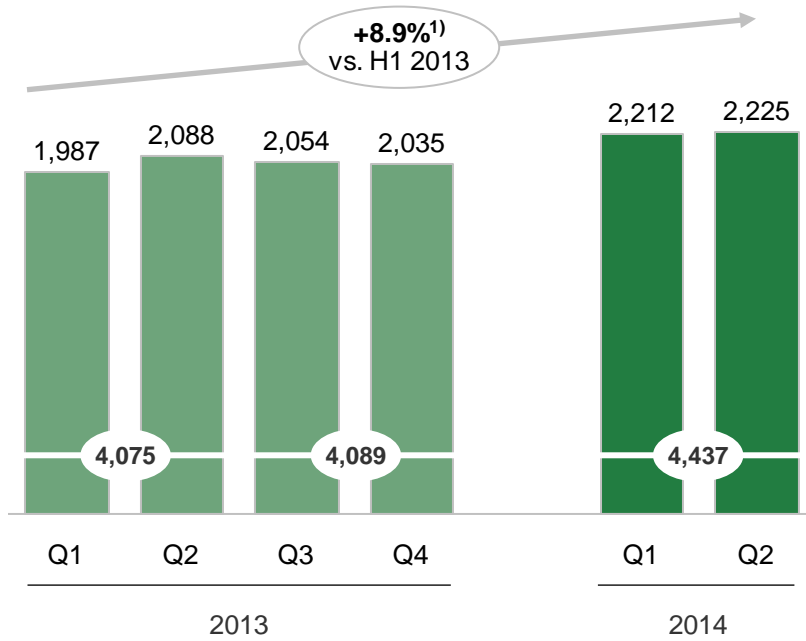
Results Q3 2014: November 20, 2014

Results FY 2014: March 26, 2014

Automotive and Industrial sales

Sales Automotive

in EUR mn



Gross profit margin in %

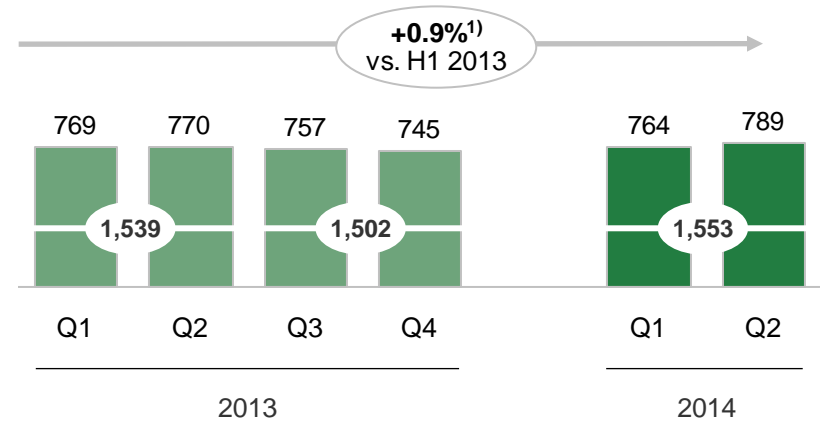
26.9	27.5	26.4	27.2
27.2		26.8	

28.1	27.1
27.6	

1) Includes negative FX effects of 2.8%

Sales Industrial

in EUR mn



Gross profit margin in %

33.4	32.1	29.3	33.0
32.7		31.2	

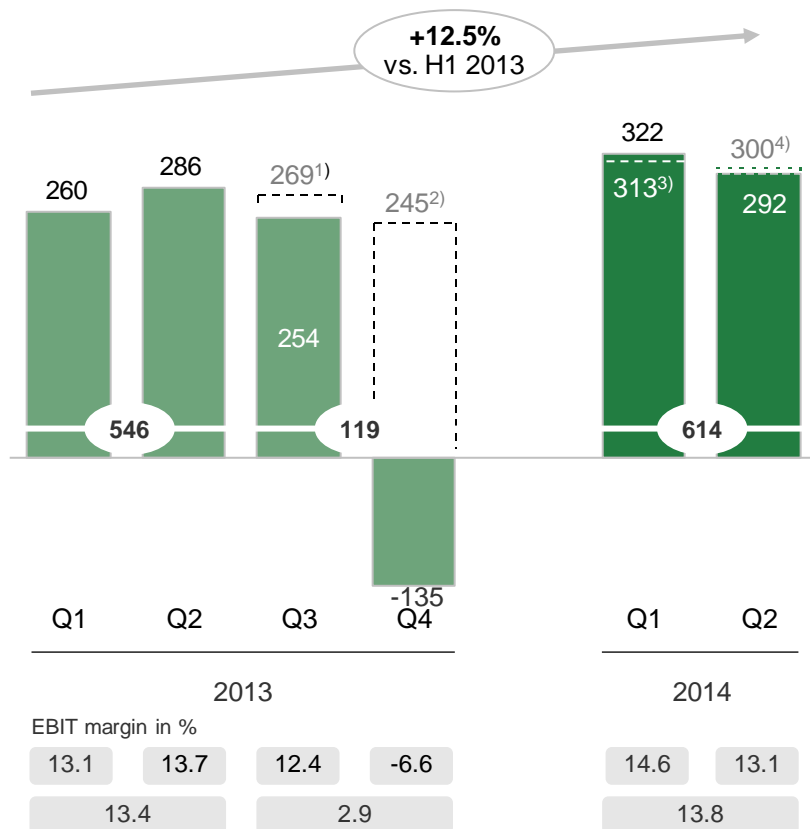
32.1	31.1
31.6	

1) Includes negative FX effects of 3.4%

Automotive and Industrial EBIT

EBIT Automotive

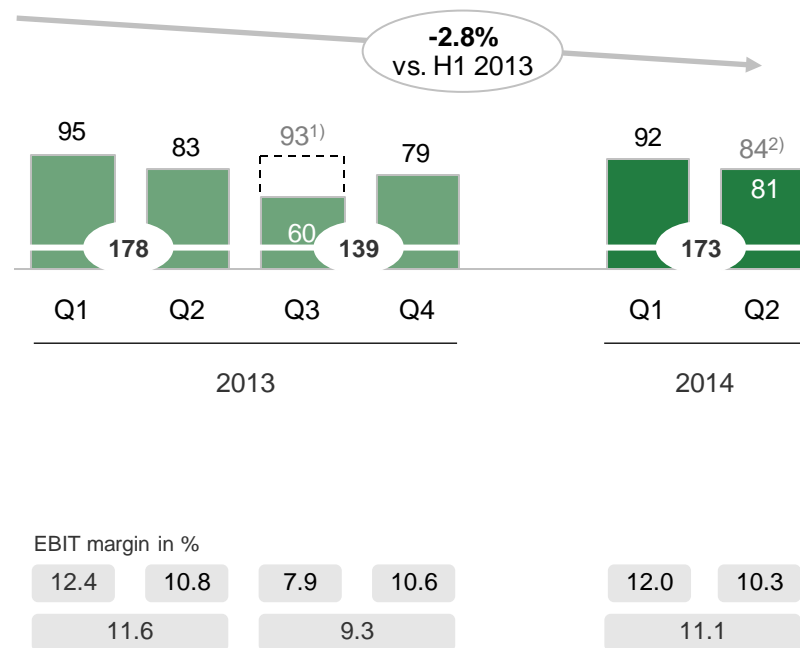
in EUR mn



- 1) Excluding special items (personnel-related structural measures of EUR - 14.7 mn)
- 2) Excluding special items (provision EU antitrust proceedings of EUR - 380 mn)
- 3) Excluding special items (provision release EU antitrust proceedings of EUR + 9.5 mn)
- 4) Excluding special items (compensation expenses of EUR 8 mn)

EBIT Industrial

in EUR mn

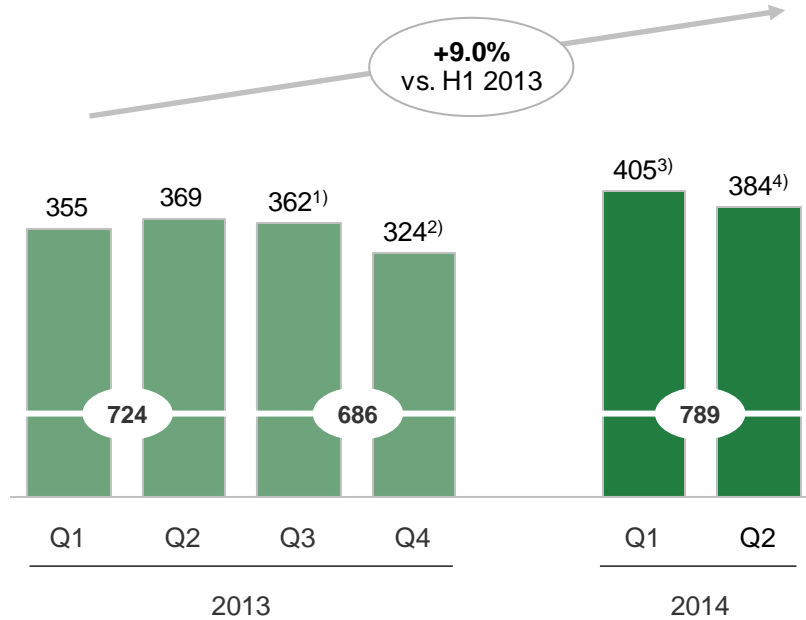


- 1) Excluding special items (one-off restructuring expense of EUR - 33 mn)
- 2) Excluding special items (compensation expenses of EUR 3 mn)

Adjusted EBIT margin at 13.2%

Adjusted EBIT

in EUR mn



Adjusted EBIT margin in %

12.9	12.9	12.9	11.7	13.6	12.7
12.9		12.3		13.2	

- 1) Excl. one-off effects of EUR - 48 mn
- 2) Excl. one-off effects of EUR - 380 mn
- 3) Excl. one-off effects of EUR + 9.5 mn
- 4) Excl. one-off effects of EUR - 11mn

One-off effects

in EUR mn

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	FY 2014	Q1 2014	Q2 2014	H1 2014
Reported EBIT	355	369	314	-56	982	414	373	787
Reported EBIT margin (%)	12.9	12.9	11.2	-2.0	8.8	13.9	12.4	13.1
Restructuring provision	-	-	48	-	48	-	-	-
EU investigation provision	-	-	-	380	380	-	-	-
EU investigation provision release	-	-	-	-	-	-9	-	-9
Compensation expense	-	-	-	-	-	-	+11	+11
Adjusted EBIT	355	369	362	324	1,410	405	384	789
Adjusted EBIT margin (%)	12.9	12.9	12.9	11.7	12.6	13.6	12.7	13.2