

**Mobility for tomorrow**

**Quality. Technology. Innovation.**

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Schaeffler AG

Q1 2015 Results Conference Call

May 21, 2015

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# Agenda

- 1 Highlights
- 2 Financials
- 3 Outlook

## A good start into the year

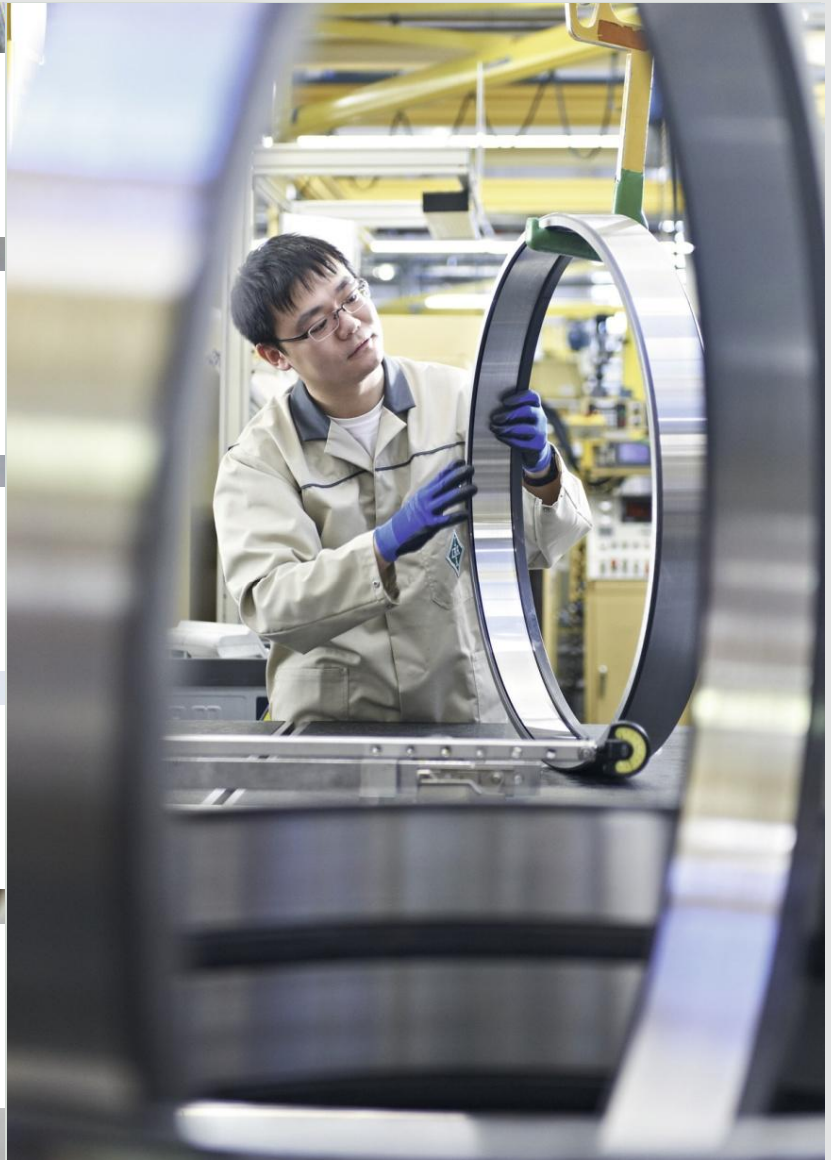
Strong growth continued – Q1 2015 Sales EUR 3,345 mn (+12.4%); FX adjusted sales increased by 5.3%

Both divisions contributed – Automotive sales growth of 13.5%; Industrial sales growth of 9.3%

Profitability in line with target range – Q1 2015 EBIT margin of 13.0%

Significant increase in investments – Q1 2015 capex spending EUR 244 mn

Free Cash Flow temporarily negative at minus EUR 60 mn



# Overview results

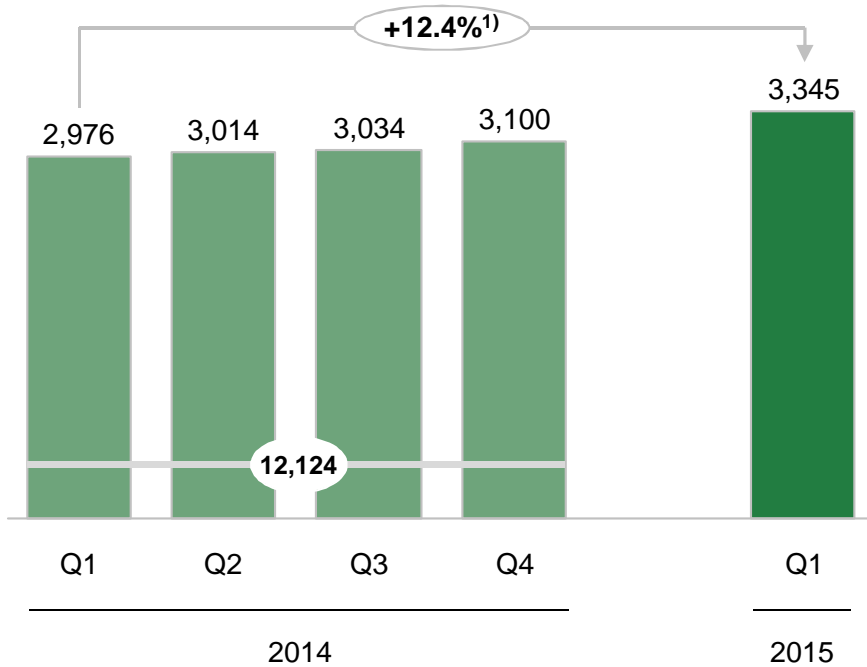
	Q1 2014 in EUR mn	Q1 2015 in EUR mn	Δ
Sales	2,976	3,345	+12.4% (+5.3% FX-adjusted)
EBITDA	572	604	+5.6%
EBITDA margin	19.2%	18.1%	-1.1%-pts.
EBIT	418	434	+3.8%
EBIT margin	14.0%	13.0%	-1.0%-pts.
Net income <sup>1)</sup>	220	167	EUR -53 mn
Capex	155	244	EUR +89 mn
Capex ratio	5.2%	7.3%	+2.1%-pts.
Free cash flow	-19	-60	EUR -41 mn
Net debt	5,778 <sup>2)</sup>	6,190	+7.1%
Leverage ratio	2.7 <sup>2)</sup>	2.8	

1) Attributable to shareholders of the parent company 2) As of December 31, 2014

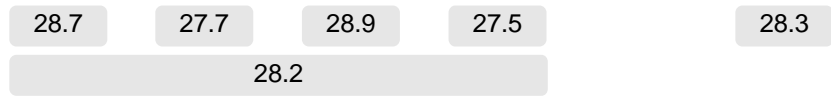
# Sales growth excluding FX effects +5.3%

## Sales

in EUR mn

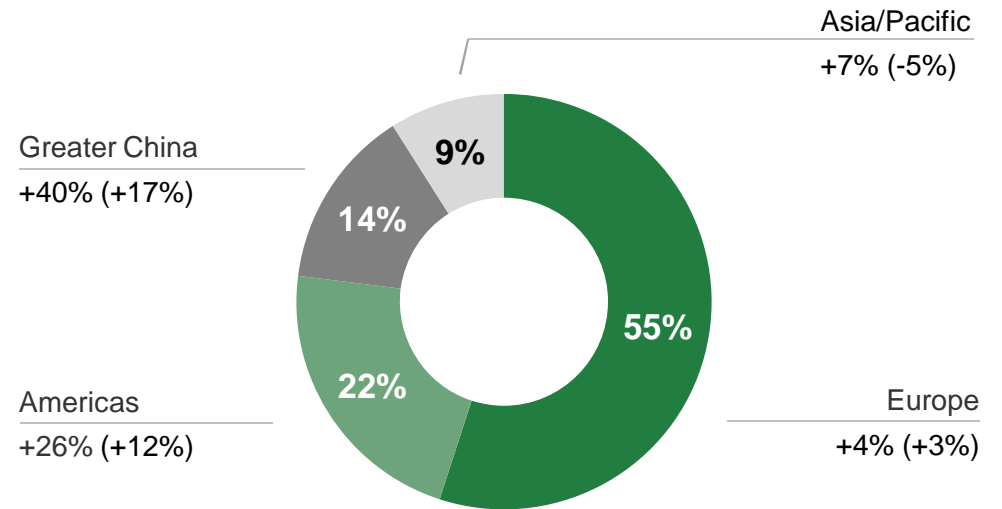


Gross profit margin in %



## Q1 2015 sales by region<sup>1)</sup>

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



1) Market view (= location of customers)

## Sales by division

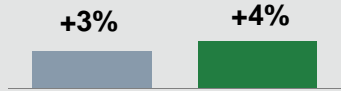
in EUR mn	Q1 2014	Q1 2015	Δ	Δ excl. FX effects
Automotive	2,212	2,510	+13.5%	+6.7%
Industrial	764	835	+9.3%	+1.3%
<b>Total</b>	<b>2,976</b>	<b>3,345</b>	<b>+12.4%</b>	<b>+5.3%</b>

1) Includes positive FX effects of 7.1%

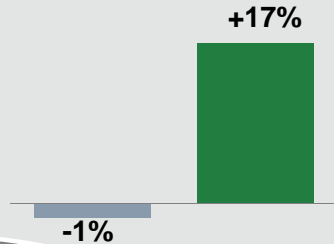
# Automotive division with strong growth of +13.5%

## Sales development Automotive (w/o FX effects)

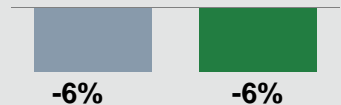
### Europe



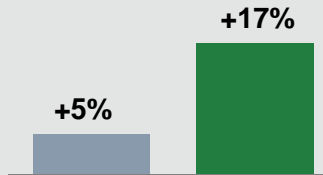
### Americas



### Asia/Pacific



### Greater China



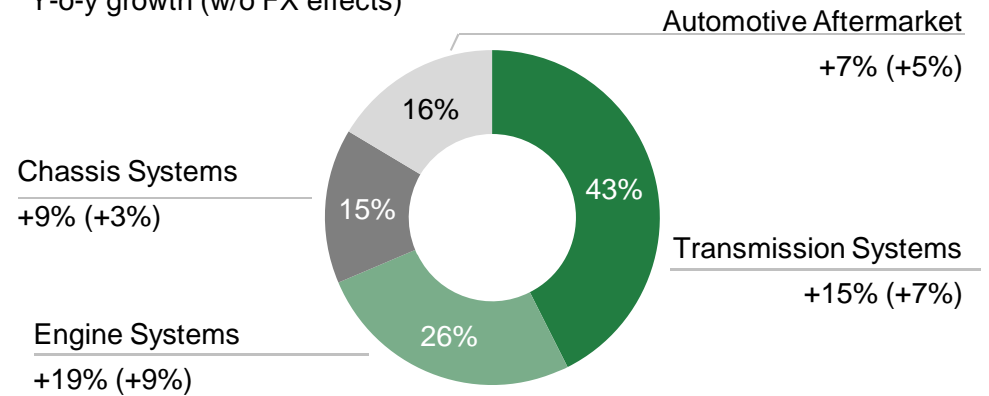
World production: +0.6%  
 Schaeffler Automotive: +6.7%  
 (w/o FX effects)

■ Production of light vehicles Q1/2015 vs Q1/2014 (IHS Automotive)

■ Sales growth (w/o FX effects) Schaeffler Automotive Q1/2015 vs Q1/2014

## Sales split

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



## Key aspects

- **Engine Systems:** Ramp-up of new Thermal Management Module; Strong demand for valve train components (e.g. for UniAir engine)
- **Transmission Systems:** Significant growth with Torque Converters (automatic transmission) and Dual Mass Fly Wheels
- **Chassis Systems:** Strong demand for 3<sup>rd</sup> generation of wheel bearings compensates weakness in South America and Asia/Pacific
- **Automotive Aftermarket:** Growing demand for service kits

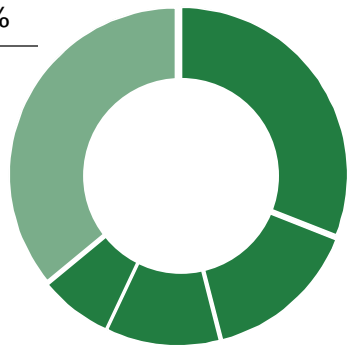
# Industrial division with growth of +9.3%

## Sales development Industrial

in EUR mn	Q1 2014	Q1 2015	Δ	Δ excl. FX effects
<b>Industrial Applications</b>	492	537	+9.1%	+1.2%
<b>Industrial Aftermarket</b>	272	298	+9.6%	+1.5%
<b>Total</b>	<b>764</b>	<b>835</b>	<b>+9.3%</b>	<b>+1.3%</b>

## Sales split

**Industrial Aftermarket ~36%**



**Industrial Applications ~64%**

- Mobility
- Energy and Raw Material
- Production Machinery
- Aerospace

## Key aspects

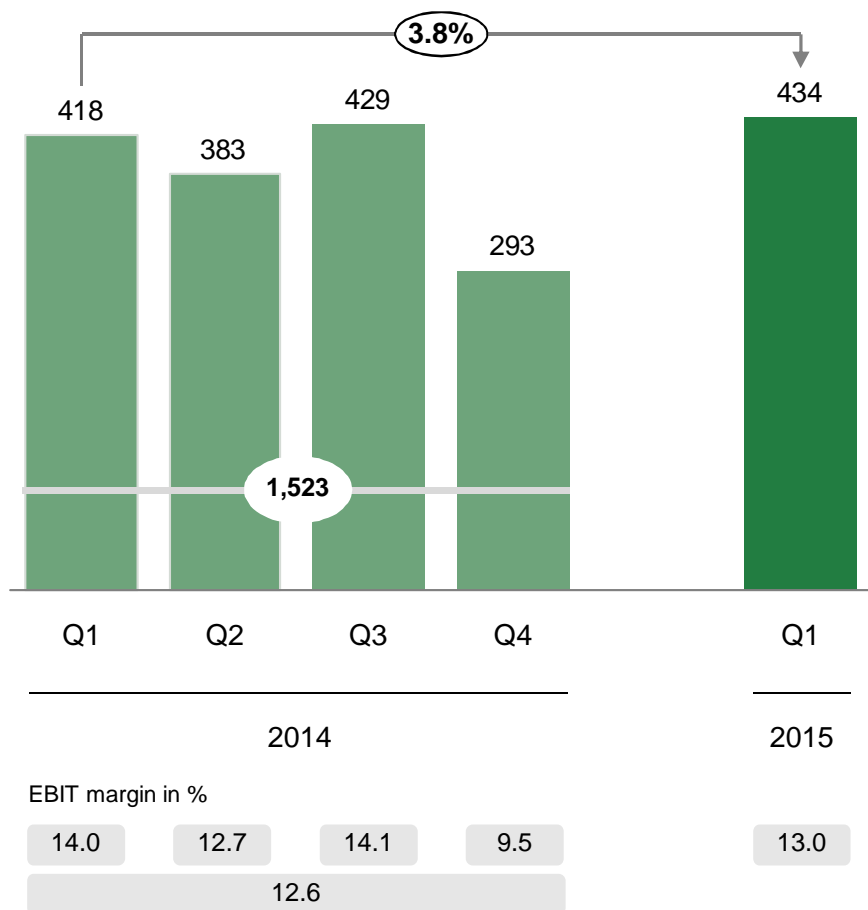
- Industrial OEM business with mixed development across sectors
  - *Mobility*: FX-adjusted sales slightly up
    - Strong demand in Railway and Motorcycle sector
    - Off-highway equipment (esp. agriculture) remains under pressure
  - *Production Machinery*: FX-adjusted sales slightly down
    - Strong increase in tooling machinery
    - Significant decrease in textile and printing machinery
  - *Energy and Raw Materials*: FX-adjusted sales up
    - Positive development in renewable energy sector (especially Wind) in Europe and Greater China
    - Stabilization in Heavy Industries on a low level but no quick recovery expected
  - *Aerospace*: FX-adjusted sales slightly down
- Industrial Aftermarket: FX-adjusted sales slightly up due to re-stocking in the US; stable market in Europe



# Earnings quality in-line with target range

## EBIT

in EUR mn



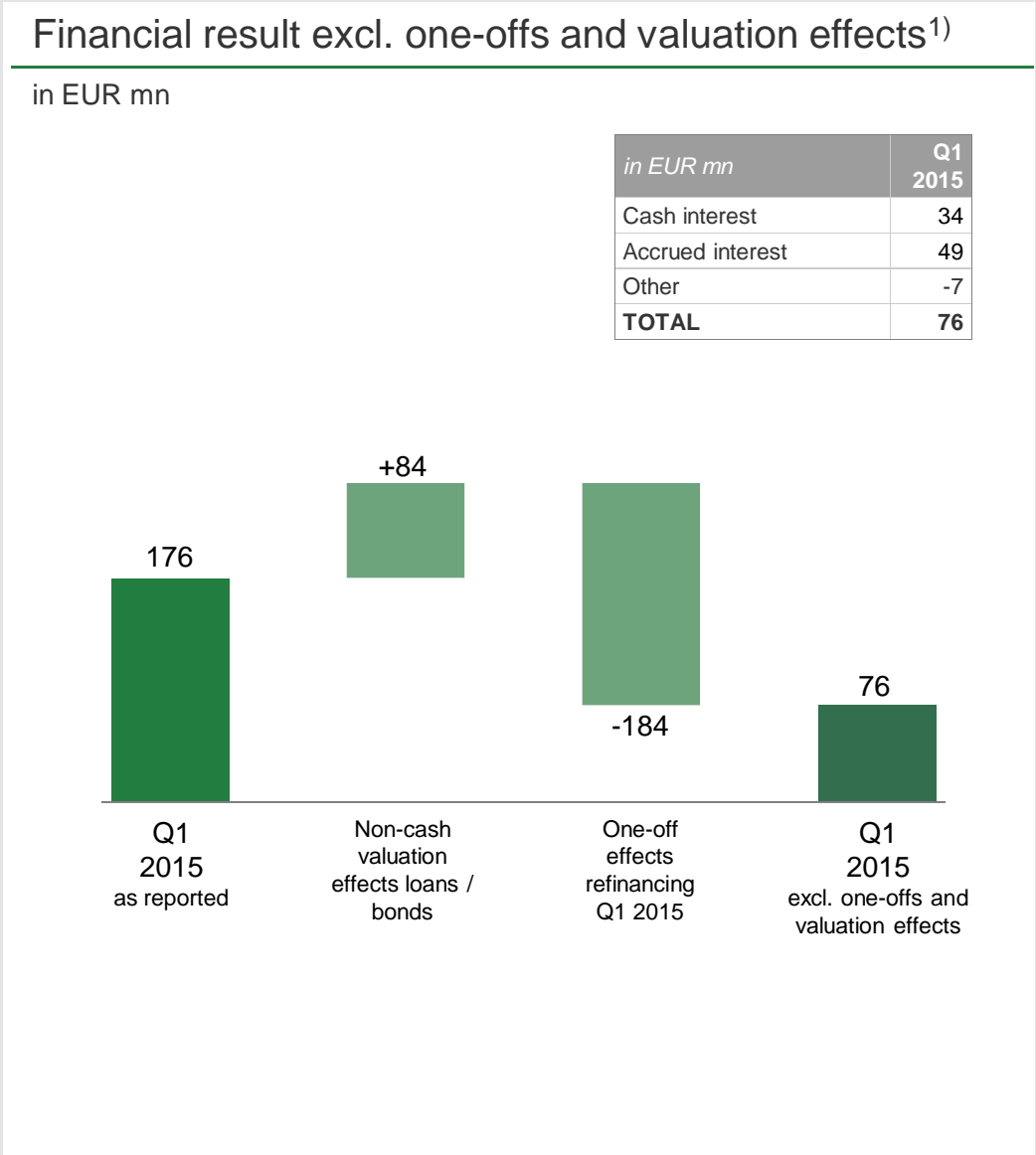
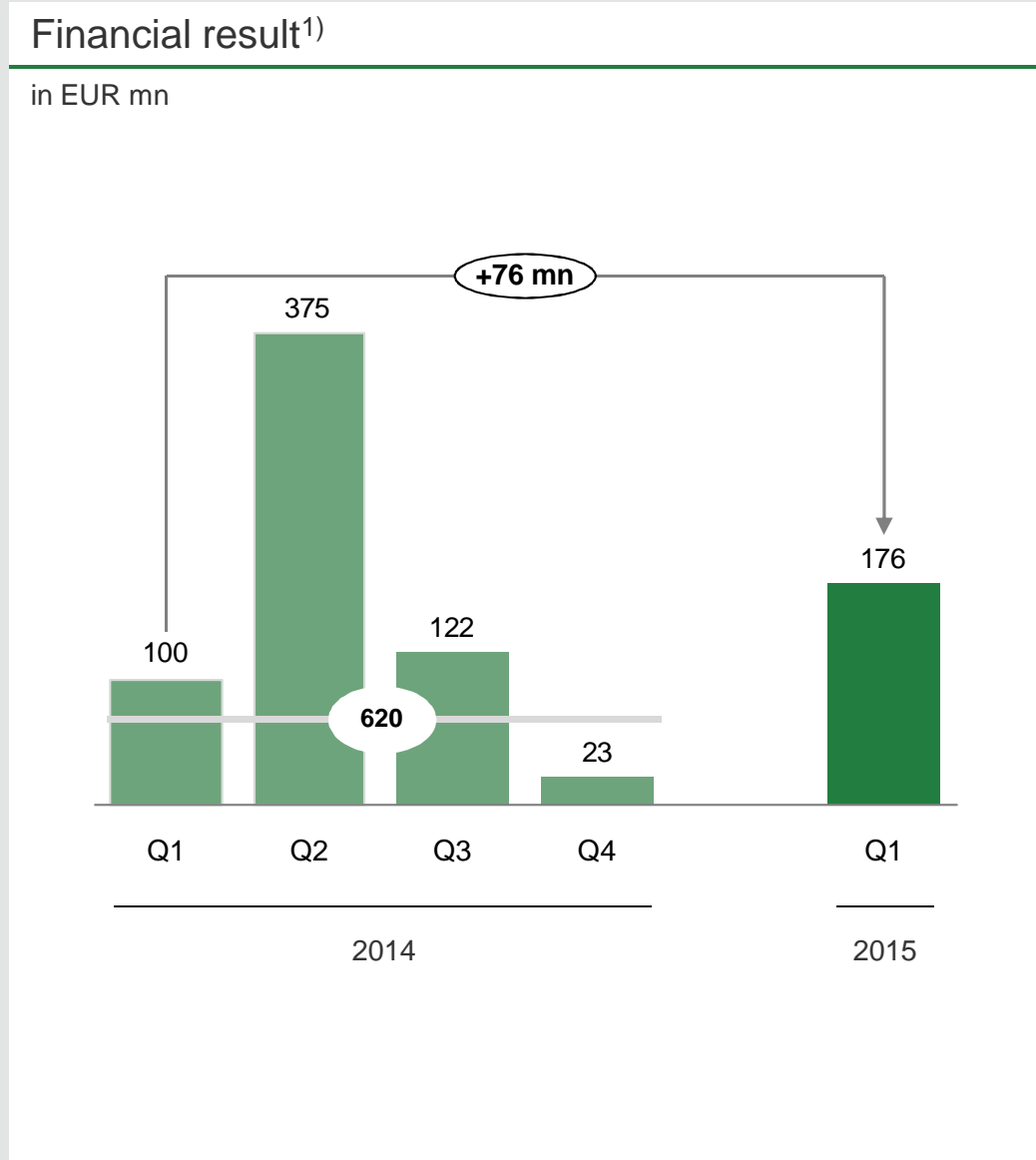
## Key aspects

- EBIT margin down y-o-y by 1%-point due to:
  - Increase in R&D and selling expenses
  - Unfavorable mix-effects in Industrial division
  - Small one-off items

## EBIT by division

in EUR mn	Q1 2014	Q1 2015	Δ	Q1 2014 margin	Q1 2015 margin	Δ in %-pts
Automotive	326	342	+4.9%	14.7%	13.6%	-1.1
Industrial	92	92	+0.0%	12.0%	11.0%	-1.0
<b>Total</b>	<b>418</b>	<b>434</b>	<b>+3.8%</b>	<b>14.0%</b>	<b>13.0%</b>	<b>-1.0</b>

# Financial result impacted by one-off and valuation effects

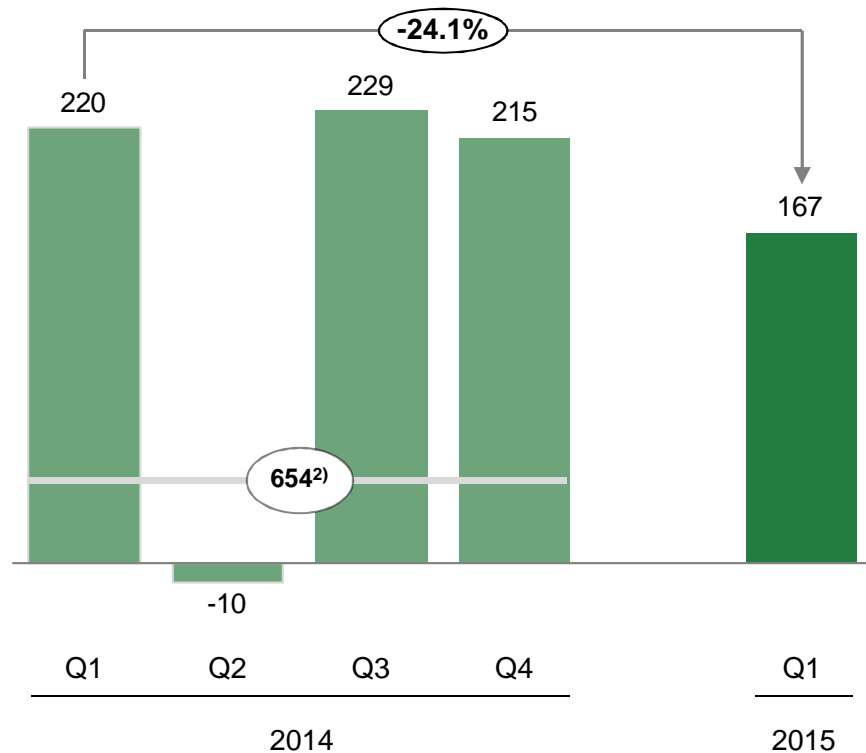


1) For presentation purposes negative results are shown as positive figures

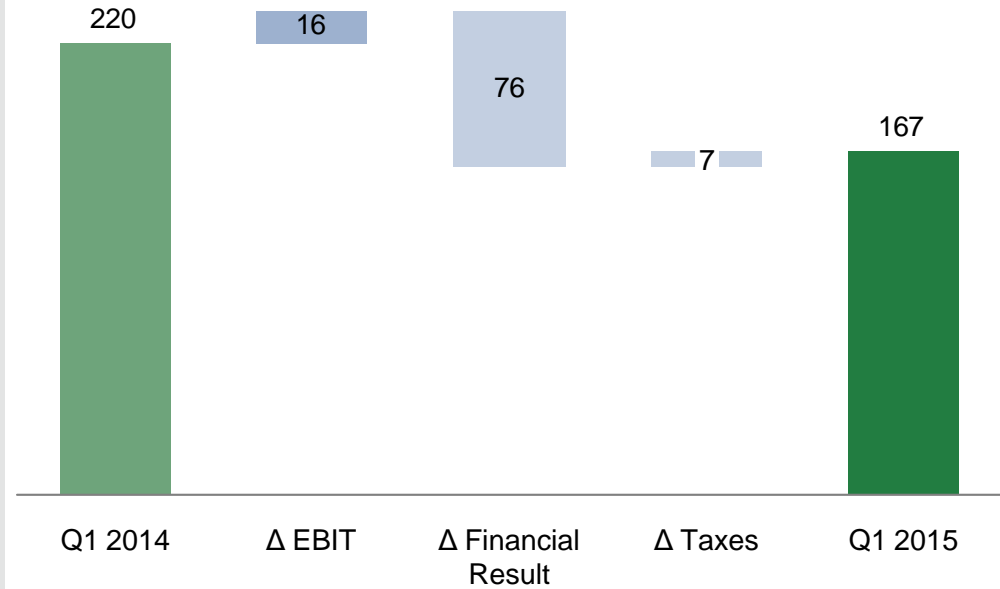
# Net income impacted by one-off effects

## Net income<sup>1)</sup>

in EUR mn



## Reconciliation of net income

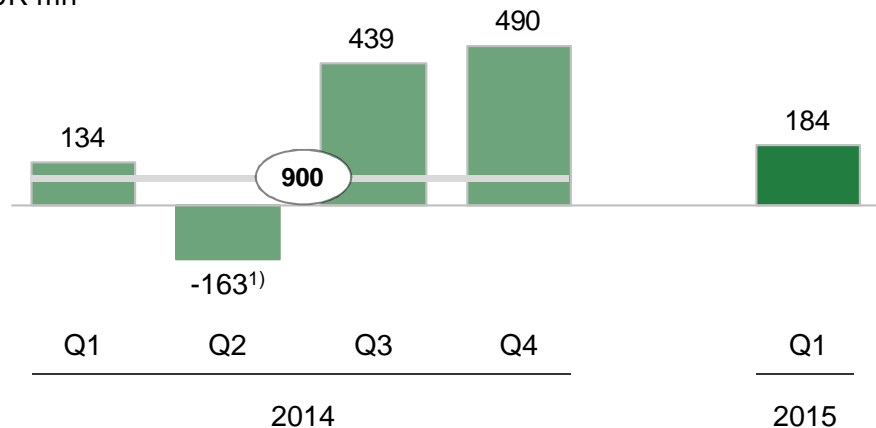


1) Attributable to shareholders of the parent company 2) Includes refinancing costs of EUR 221 mn

# Operating cash flow up

## Operating cash flow

in EUR mn

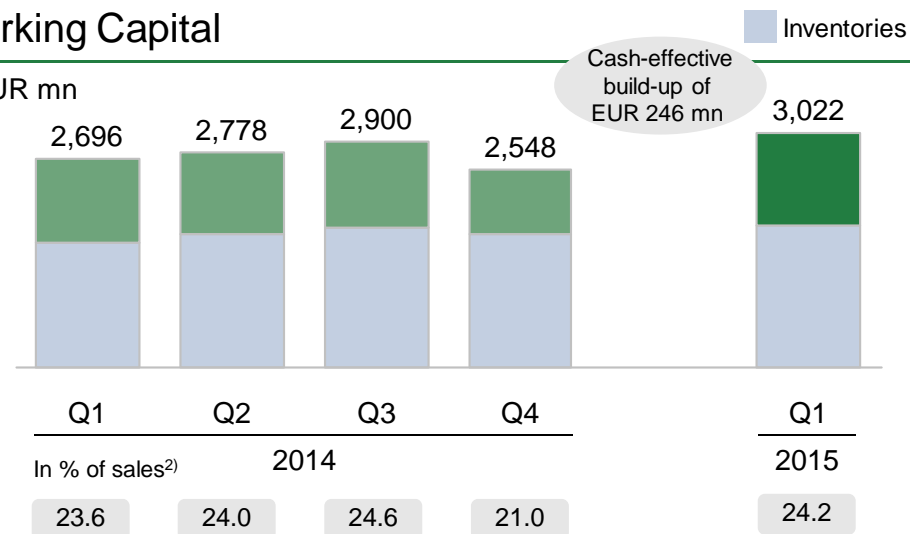


## Key aspects

- Operating cash flow up y-o-y due to:
  - Higher EBITDA
  - Lower interest payments
  - Less cash-effective build-up of Working Capital

## Working Capital

in EUR mn

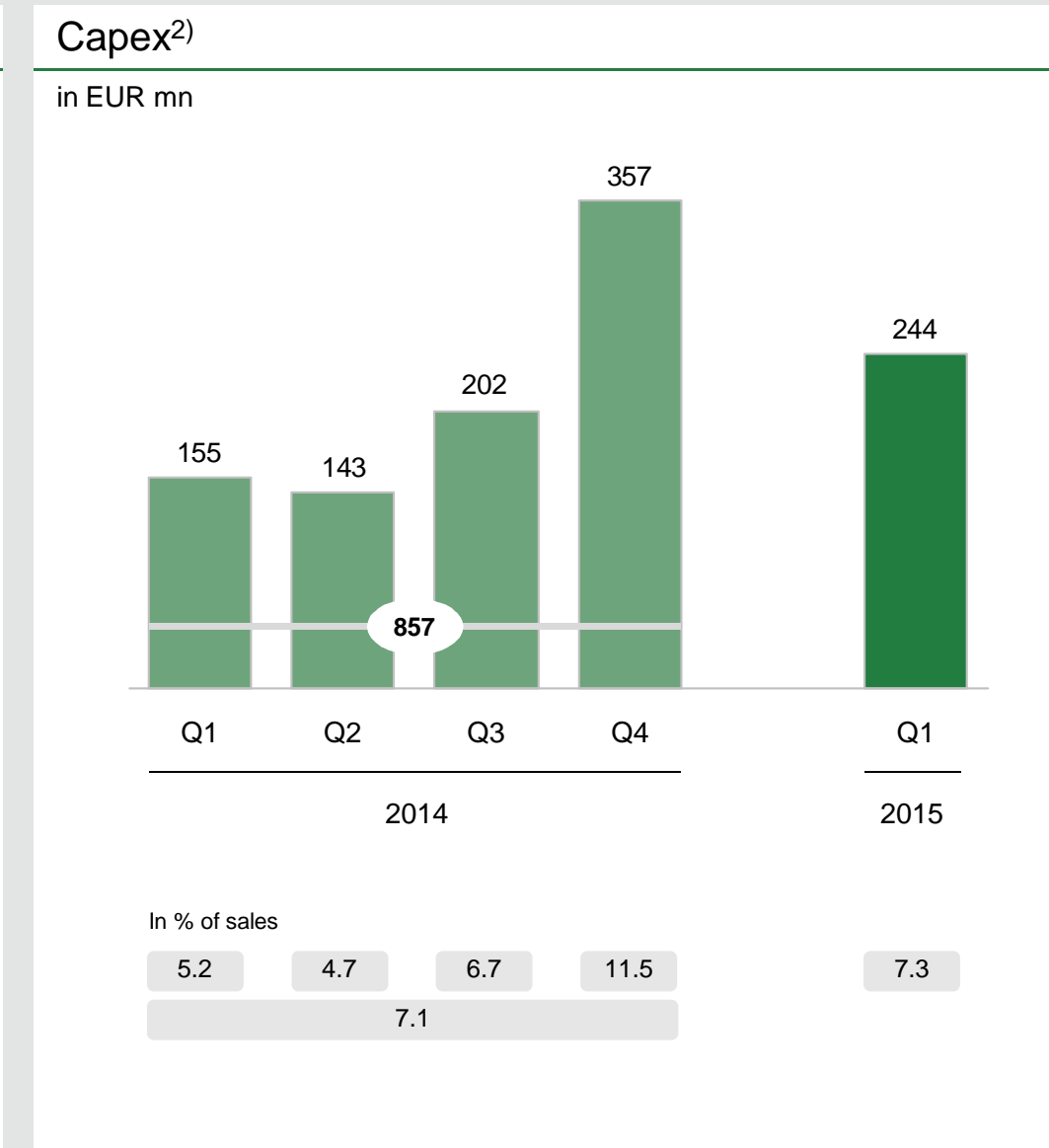
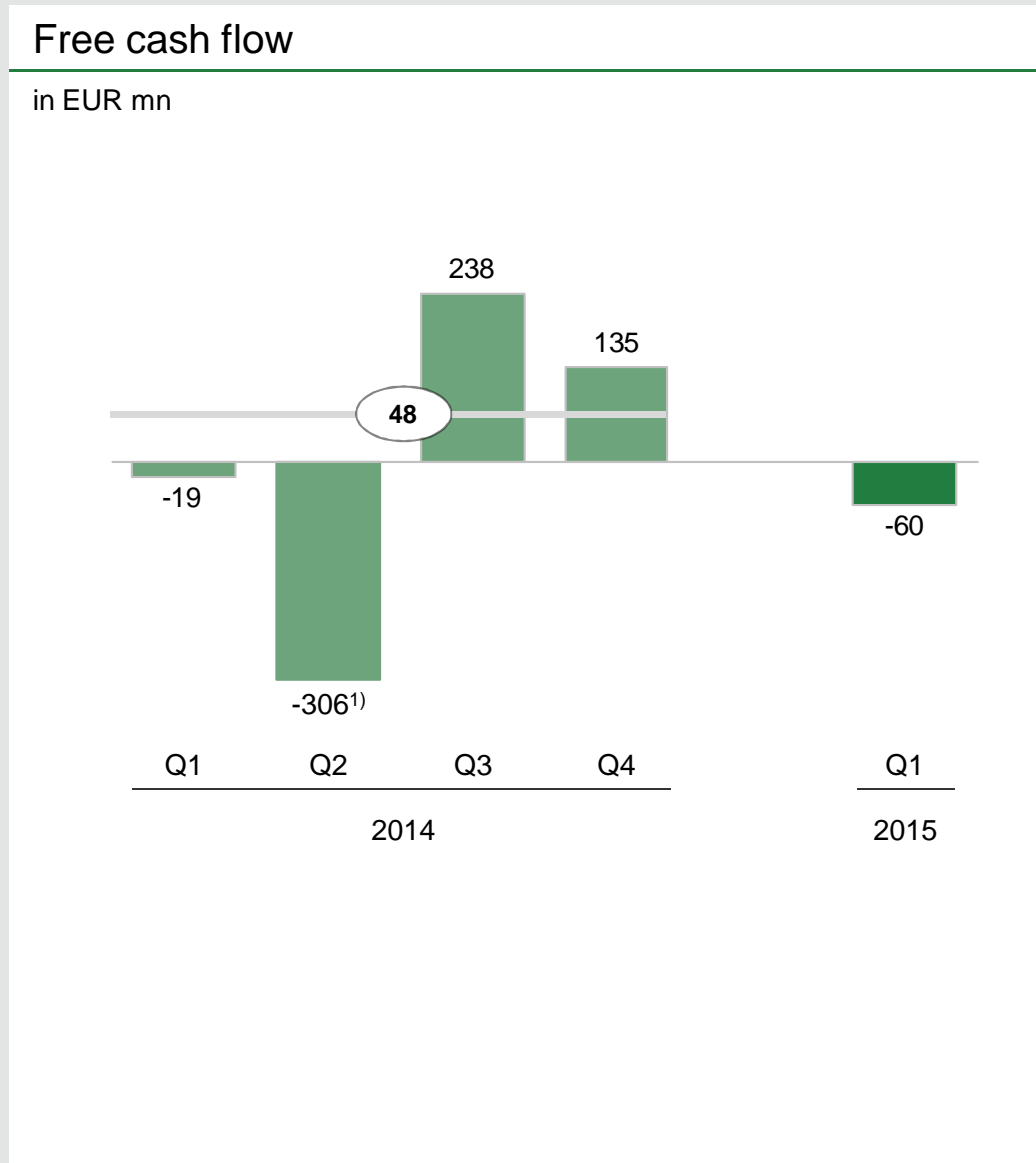


## Key aspects

- Working capital increased versus Q4 2014 due to:
  - Seasonal build-up in the first quarter
  - FX effects

1) Includes antitrust fine of EUR 371 mn 2) Calculation based on LTM sales

# Free cash flow down – Strong increase in capex



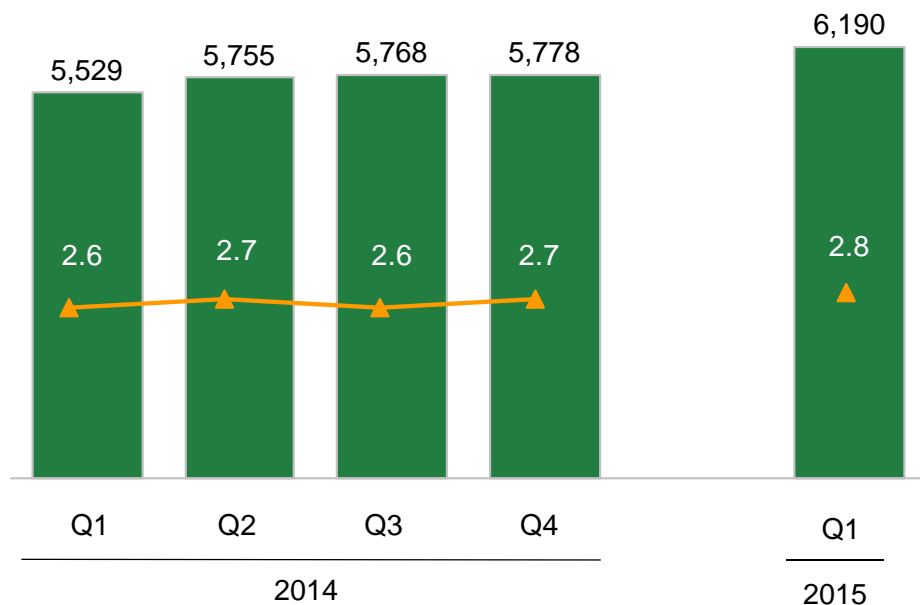
1) Includes antitrust fine of EUR 371 mn

2) Cash view

# FX related increase in net debt

## Net financial debt<sup>1)</sup>

in EUR mn



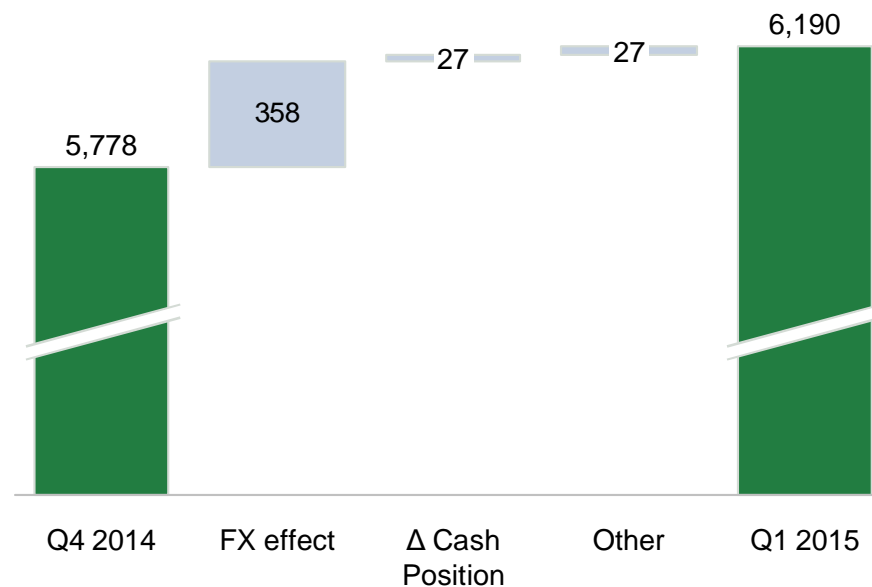
Gross debt <sup>1)</sup>	5,751	6,226	6,443	6,414	6,799
Cash position	222	471	675	636	609

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

1) Without shareholder financing

## Change in net financial debt<sup>1)</sup>

in EUR mn



# Guidance 2015 confirmed

Growth	
Sales growth	5-7% <sup>1)</sup>
Capex	6-8% of sales

1) At constant currency

Profitability	
EBIT margin	12-13%
Free cash flow	Sustainably 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



## Investor Relations

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## Financial calendar 2015

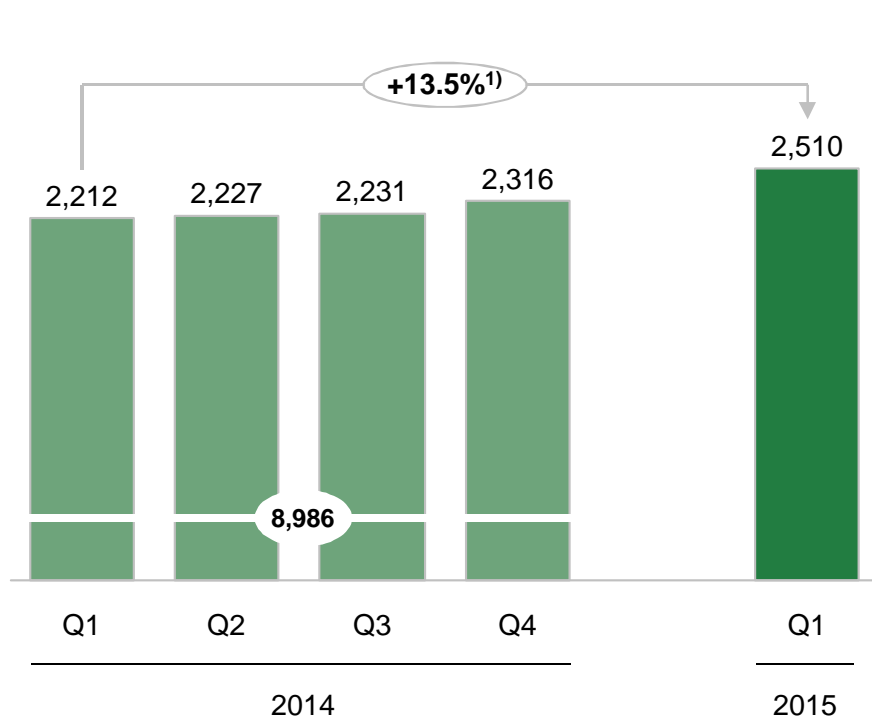
Q1 2015 Results:	21 May 2015
Q2 2015 Results:	20 August 2015
Q3 2015 Results:	19 November 2015



# Sales per division

## Sales Automotive

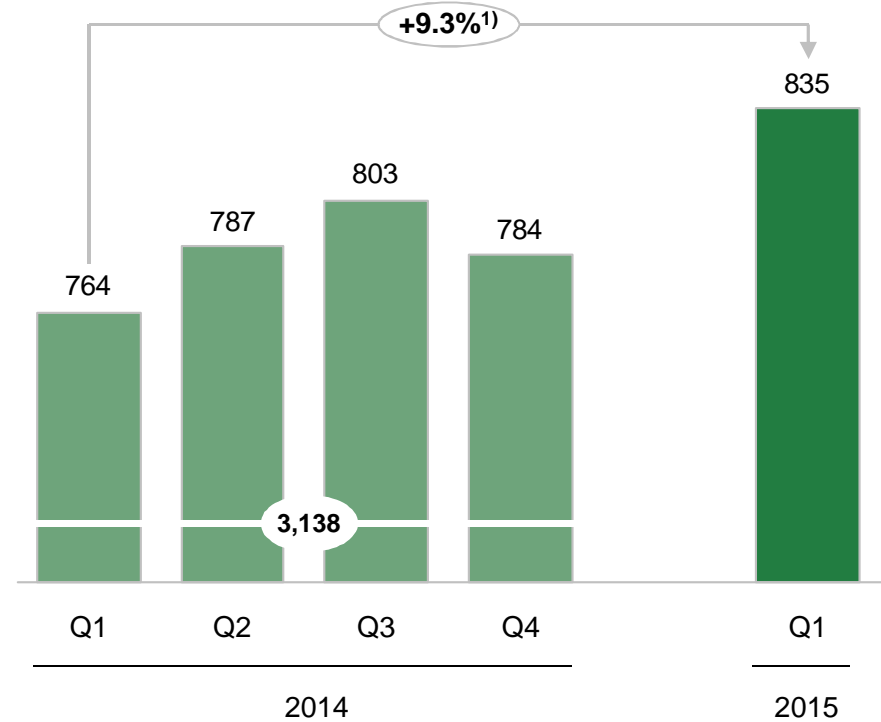
in EUR mn



1) Includes positive FX effects of 6.8%

## Sales Industrial

in EUR mn

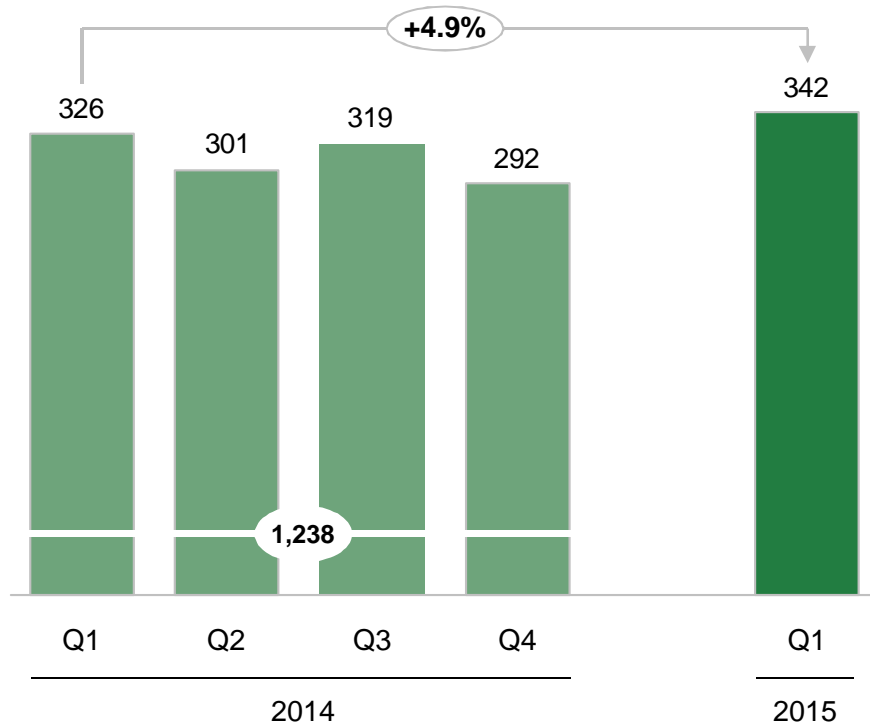


1) Includes positive FX effects of 8.0%

# EBIT per division

## EBIT Automotive

in EUR mn

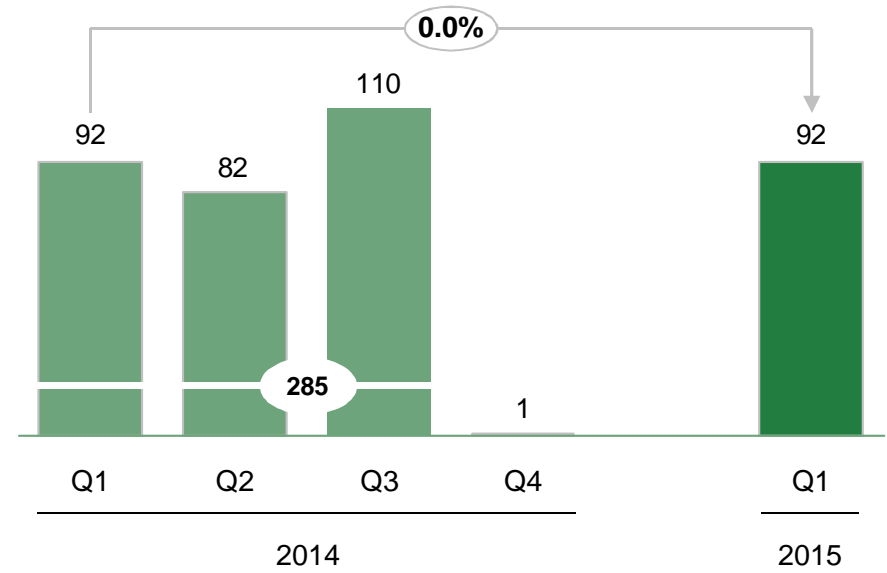


EBIT margin in %



## EBIT Industrial

in EUR mn

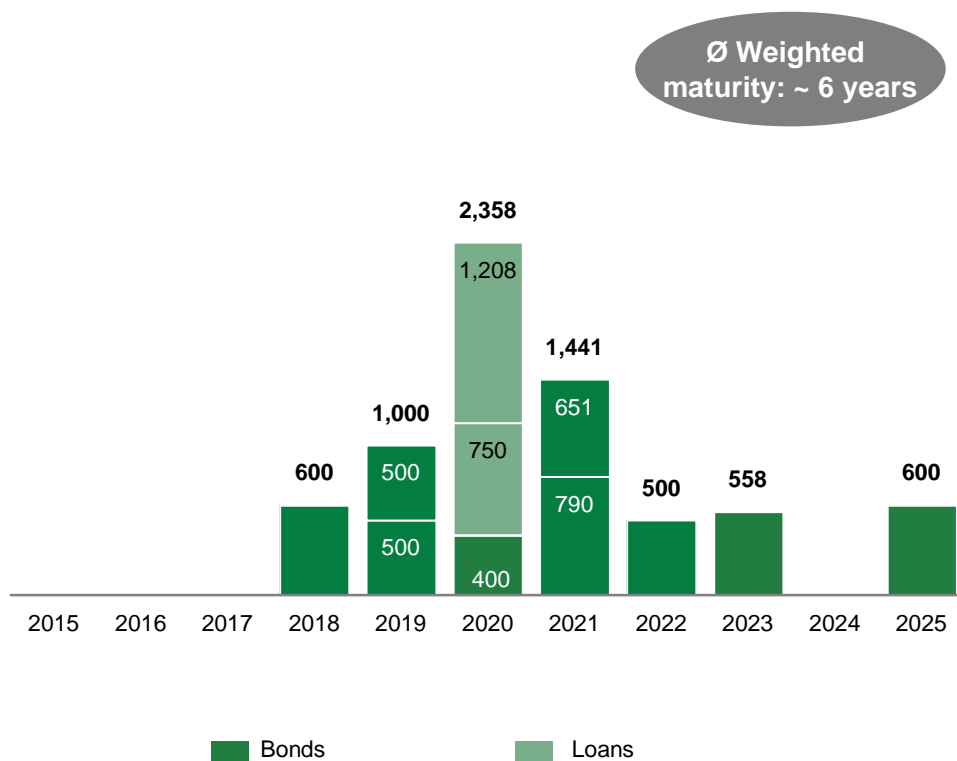


EBIT margin in %



# Maturity profile and financing structure

## Maturity profile (as of May 2015)<sup>1)</sup>

in EUR mn<sup>2)</sup>

## Financing structure (as of May 2015)

Debt instrument	Nominal	Interest	Maturity	Rating
<b>Loans:</b>				
Senior Term Loan B (EUR)	750	E <sup>2)</sup> +3.50%	May-20	Ba2 / BB-
Senior Term Loan B (USD)	1.300	L <sup>2)</sup> +3.50%	May-20	Ba2 / BB-
Senior RCF (EUR 1,000 mn)	-	E+2.75%	Oct-19	Not rated
<b>Bonds:</b>				
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
2.50% SSNs 2020 (EUR)	400	2.50%	May-20	Ba2 / BB-
4.75% SSNs 2021 (USD)	850	4.75%	May-21	Ba2 / BB-
4.25% SSNs 2021 (USD)	700	4.25%	May-21	Ba2 / BB-
3.50% SSNs 2022 (EUR)	500	3.50%	May-22	Ba2 / BB-
4.75% SSNs 2023 (USD)	600	4.75%	May-23	Ba2 / BB-
3.25% SSNs 2025 (EUR)	600	3.25%	May-25	Ba2 / BB-

3) FX rate EUR/USD of 1.0759

2) Floor of 0.75%