

Q3

**Results 9M 2012  
Schaeffler Group**

Herzogenaurach, November 20, 2012

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# Agenda

- 1** Overview
- 2** Results 9M 2012
- 3** Outlook

## 9M 2012 – Solid results in a challenging environment



Plant in Taicang, China

Mixed market conditions:  
Increasingly challenging market conditions in automotive (Europe) and most industrial sectors (Europe and Asia); ongoing growth in North America

Robust sales growth (+4.2%) but further weakening momentum



Plant in Hoechststadt, Germany

Solid EBIT margin of 13.6%

Free Cash Flow in Q3 at 92 million Euro

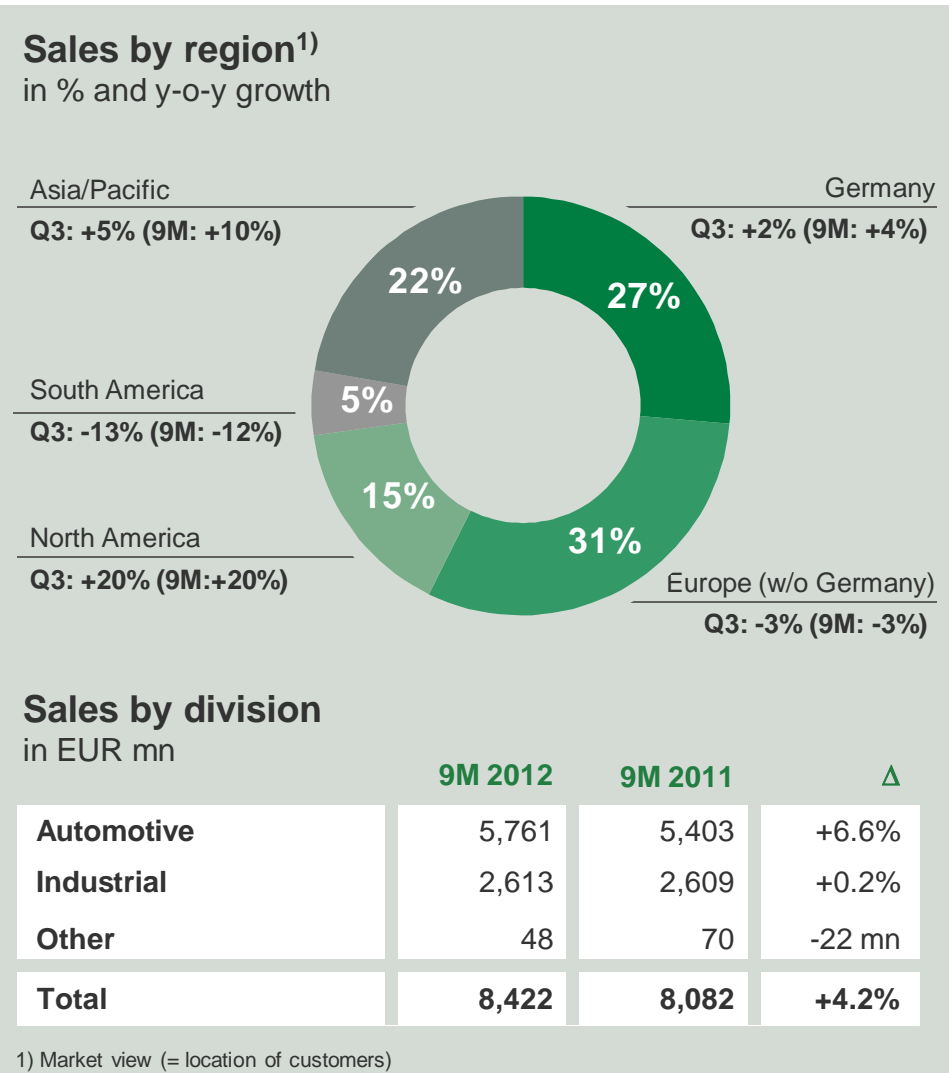
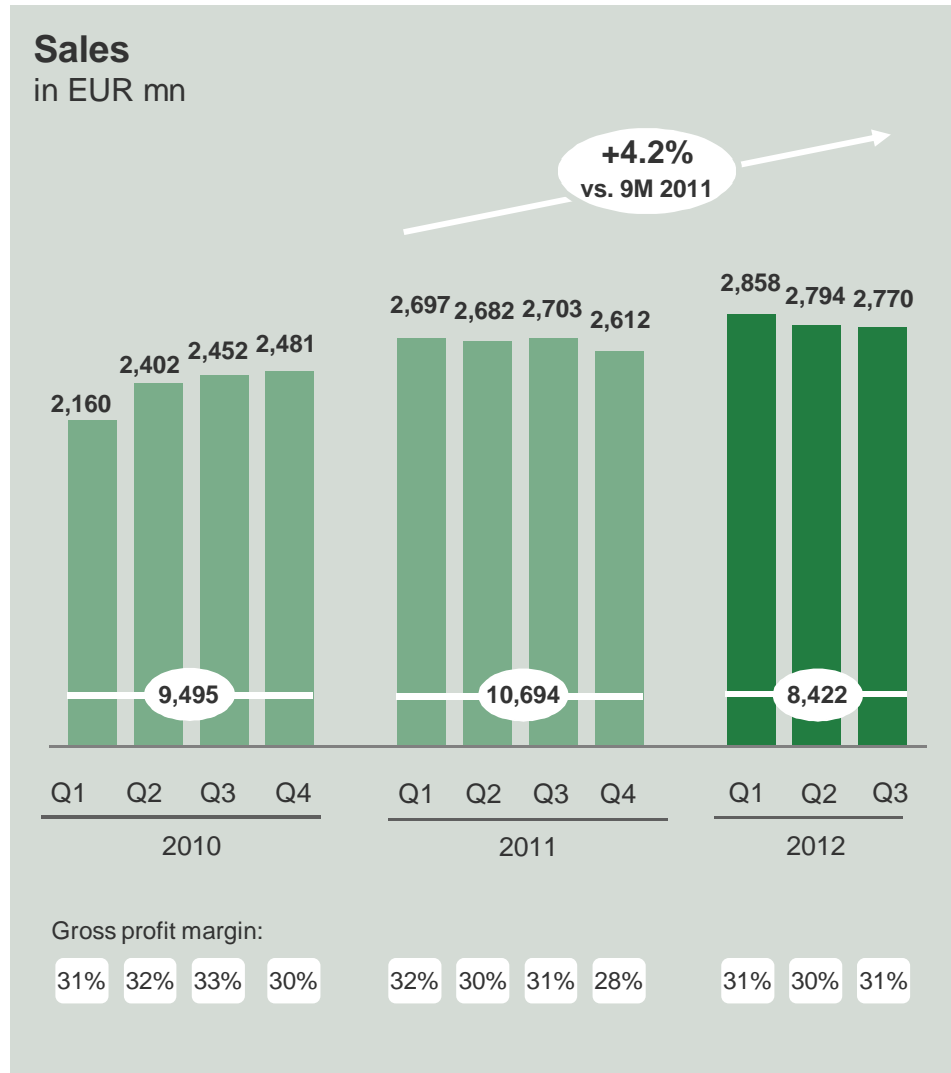
Rating upgrades from S&P and Moody's

## Results overview

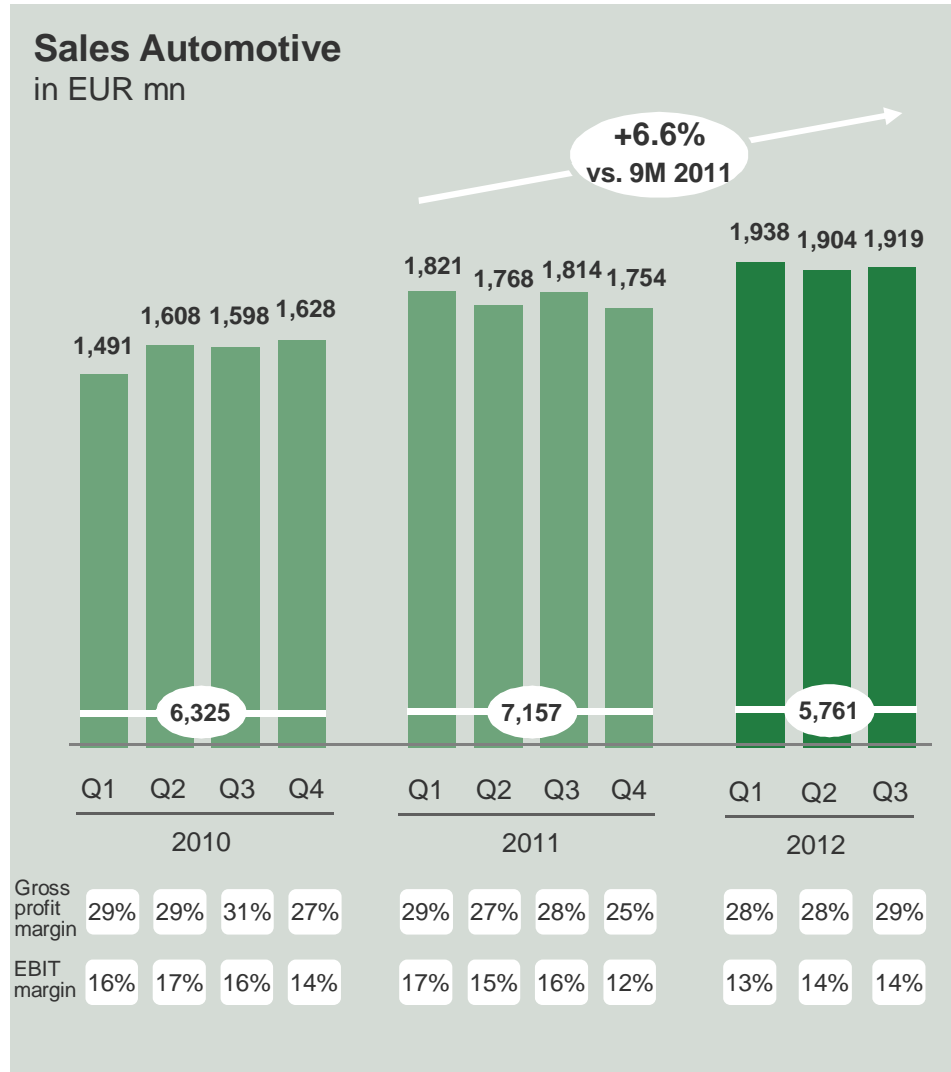
	9M 2012 in EUR mn	9M 2011 in EUR mn	Δ in EUR mn / %	Q3 2012 in EUR mn	Q3 2011 in EUR mn	Δ in EUR mn / %
Sales	8,422	8,082	+4.2%	2,770	2,703	+2.5%
EBITDA	1,599	1,770	-9.7%	520	605	-14.0%
EBITDA margin	19.0	21.9	-2.9% pts	18.8	22.4	-3.6% pts
EBIT	1,144	1,349	-15.2%	364	466	-21.9%
EBIT margin	13.6	16.7	-3.1% pts	13.1	17.2	-4.1% pts
Net income	731	743	-1.6%	226	102	> 100%
Free cash flow	122	229	-107 mn	92	152	-60 mn
Leverage ratio <sup>1</sup>	3.2x	2.9x	+0.3x	3.2x	2.9x	+0.3x

1) Excl. shareholder loans

# Sales growth continued but momentum further weakening



# Automotive – Non-European business driving sales growth



### Highlights Automotive

Q3 2012

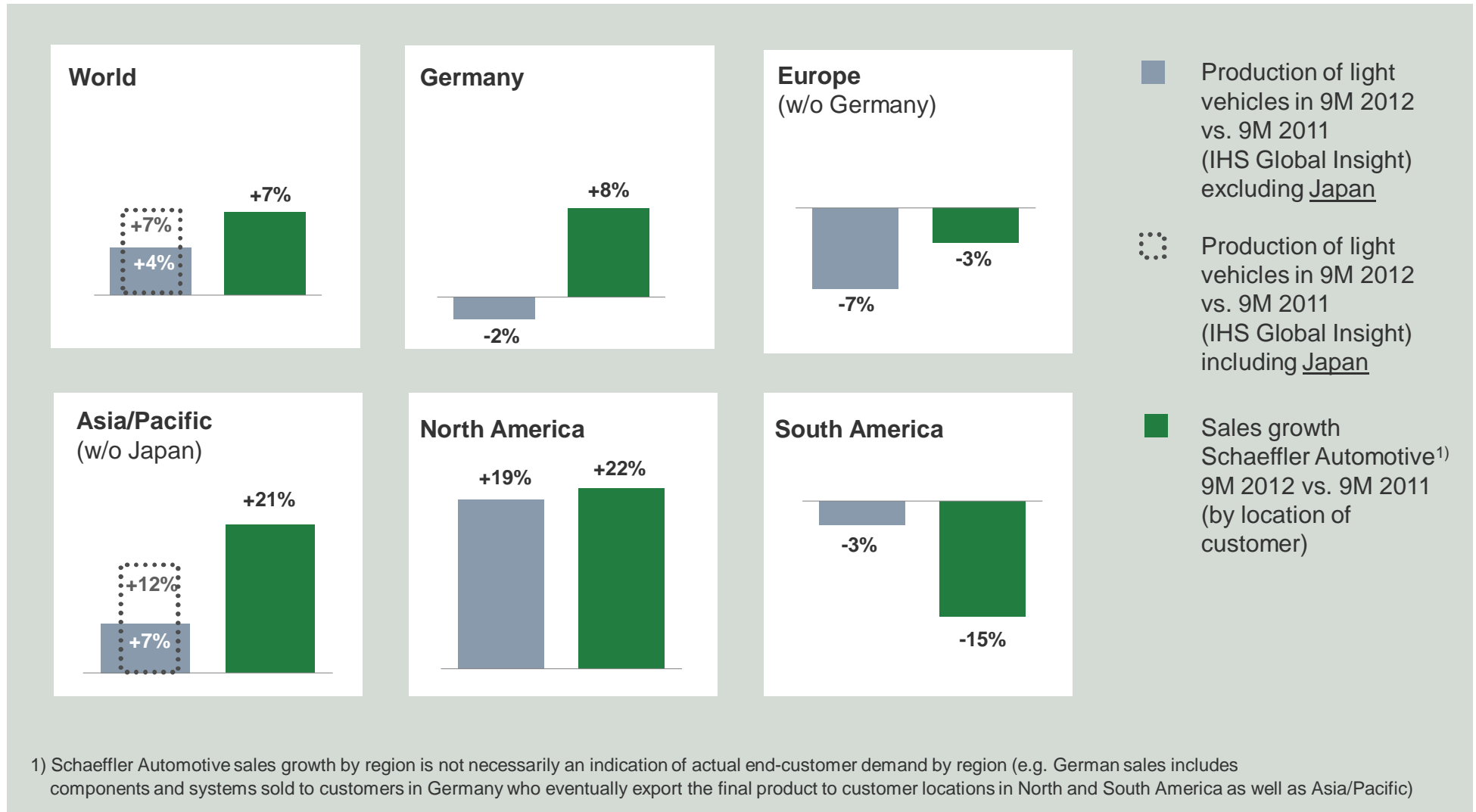
Automotive sales growth driven by strong development in North America and Asia/Pacific

Overproportional growth rates in dry double clutches, continuously variable transmissions (CVT) and camshaft phasers

Strong growth rates with innovative products such as ball screw drives and UniAir

Sales decline in South America mainly due to weakness in truck markets

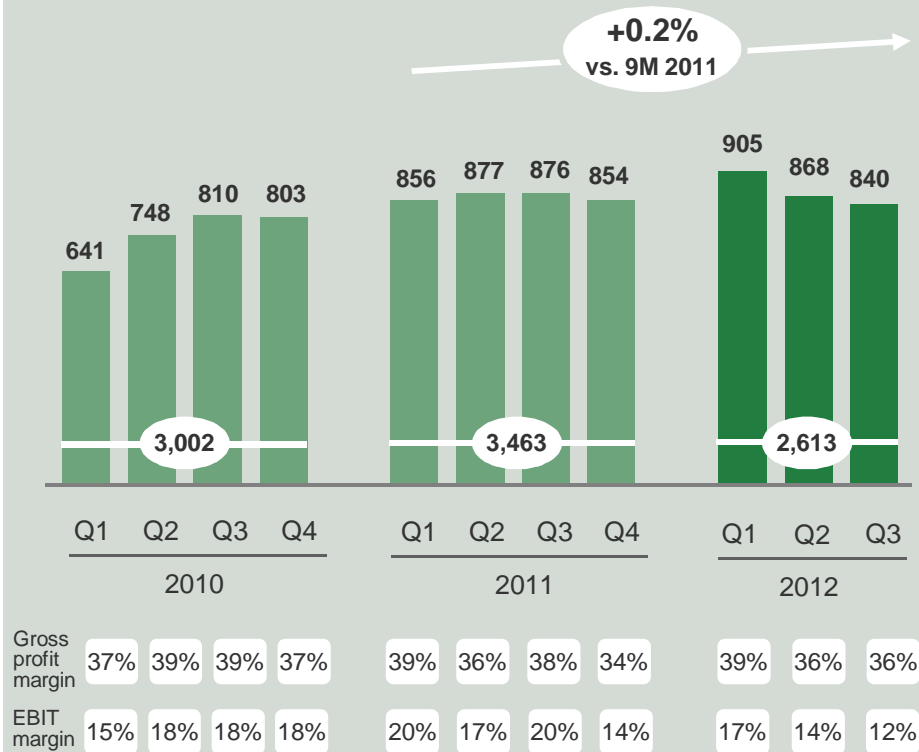
# Automotive – Outgrowing production growth





# Industrial – Accelerating downward trend in key markets

## Sales Industrial in EUR mn



## Highlights Industrial Q3 2012

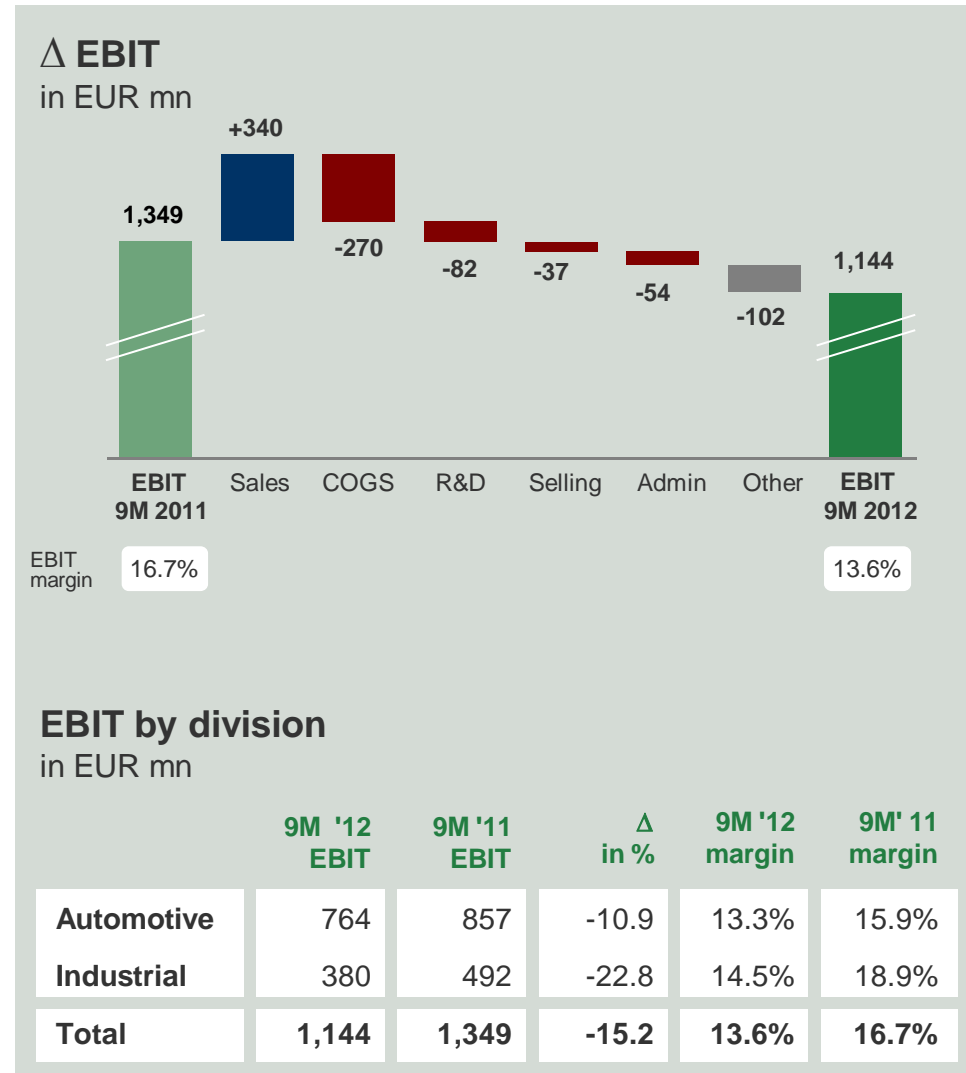
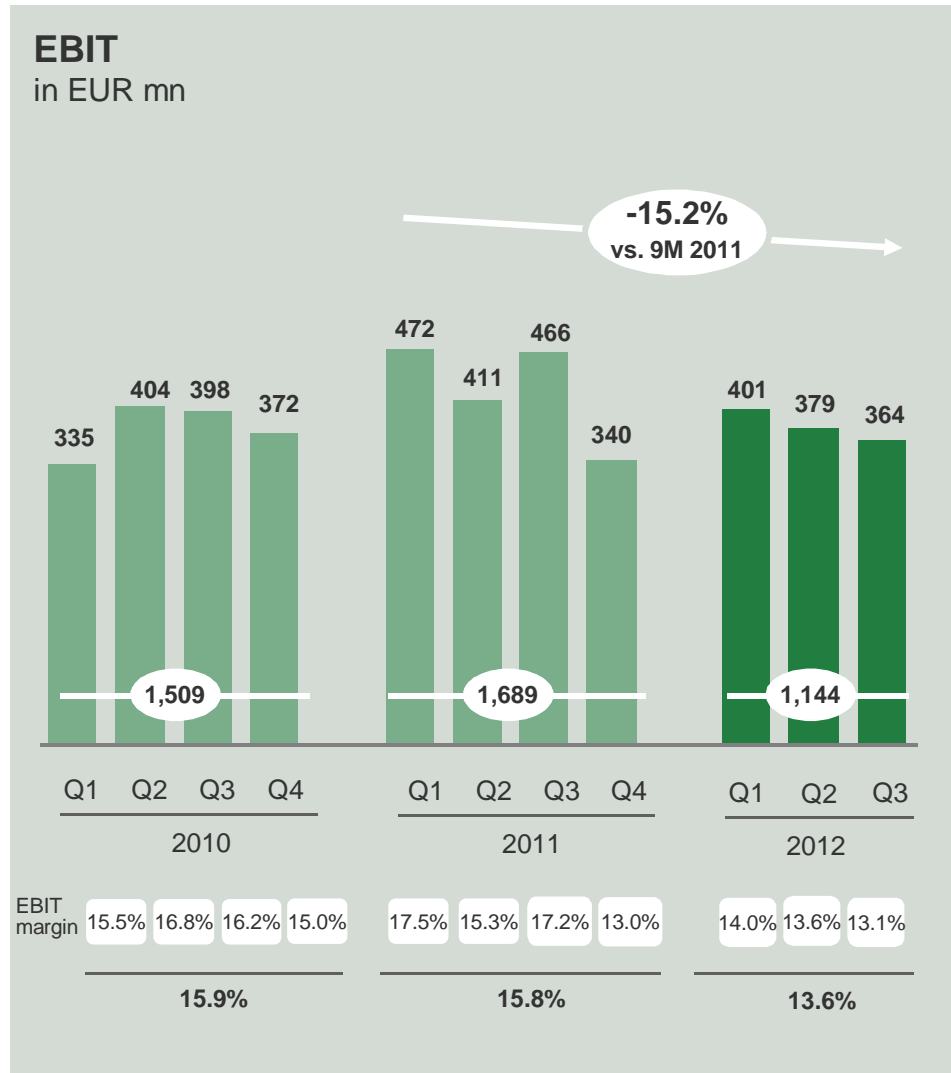
Increasingly weakening momentum in key industrial sectors

Quarterly sales decrease in all sectors apart from Heavy Industries and Aerospace; Aftermarket business stable

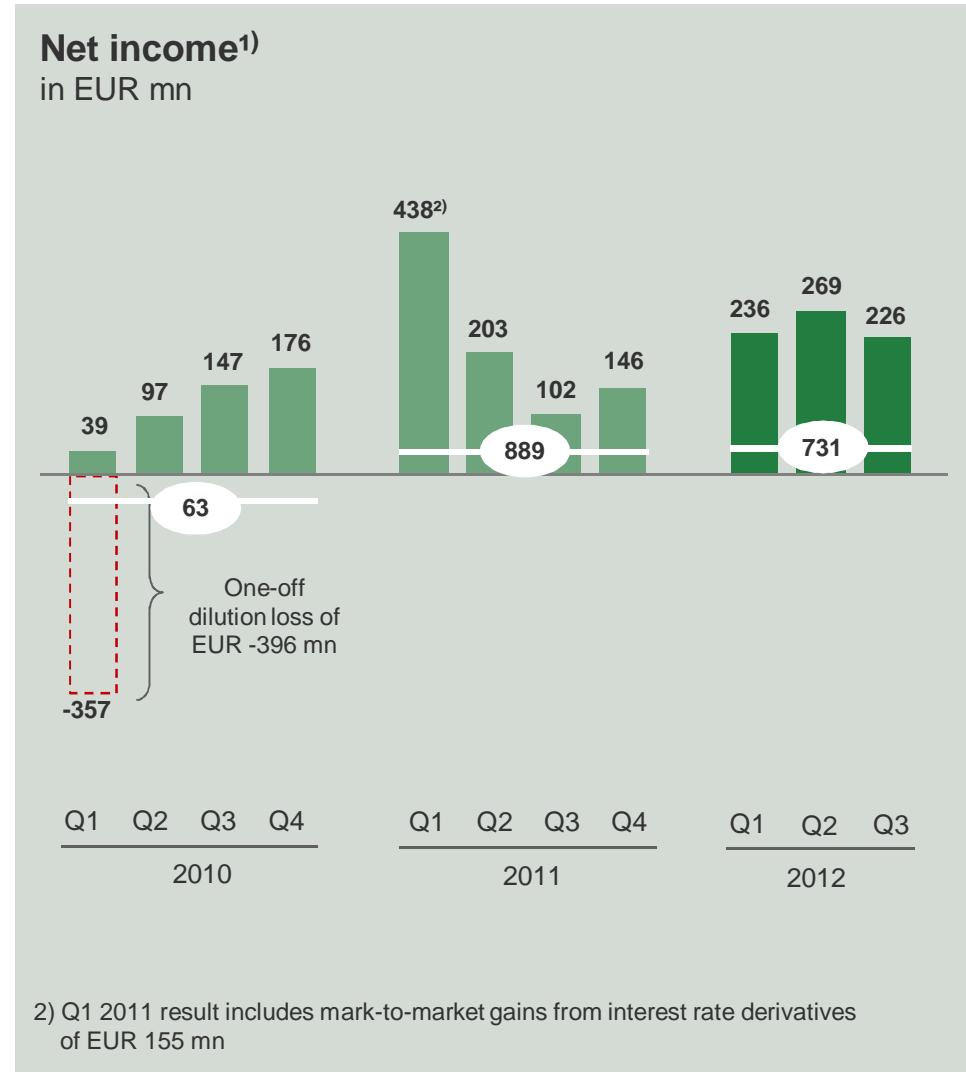
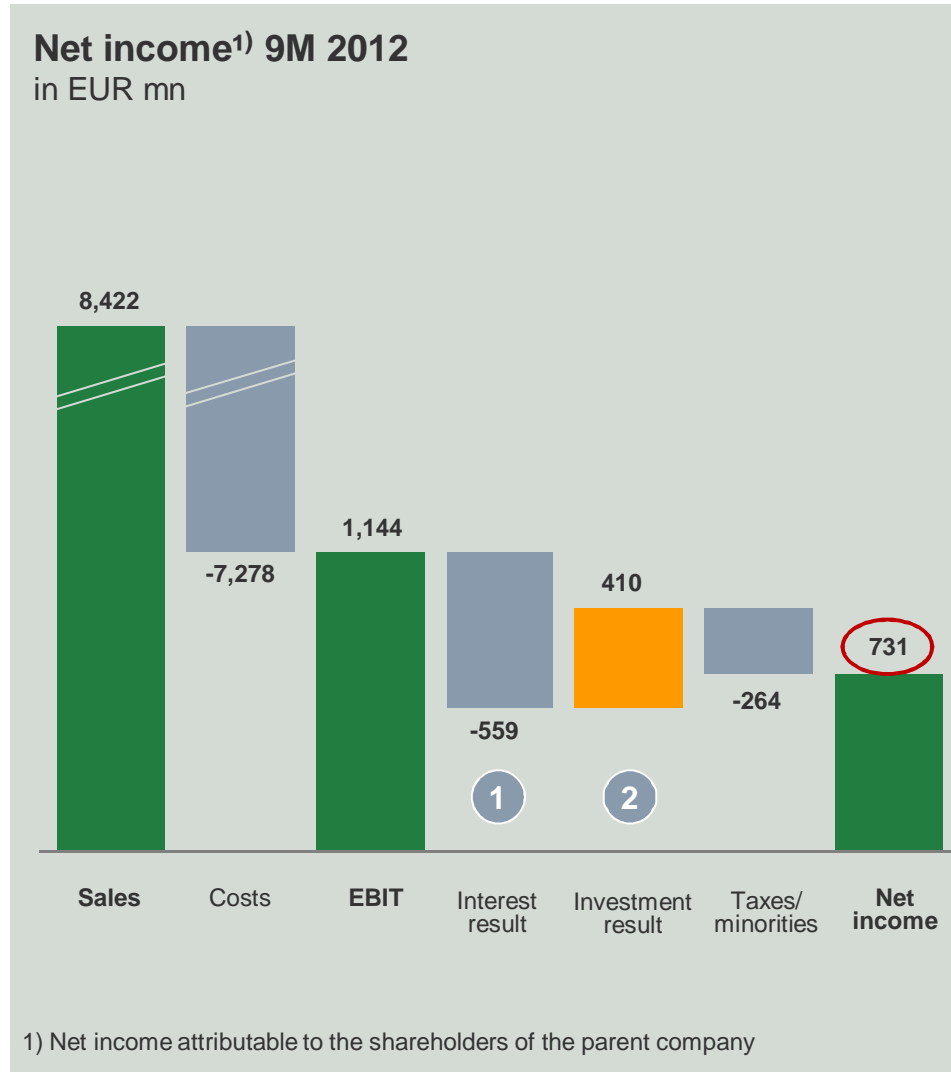
Sales growth in Eastern Europe and North America; in particular driven by Heavy Industries, Aerospace and Aftermarket business

Sales decrease in Western Europe (incl. Germany) and Asia/Pacific (mainly China); main sectors were Wind Energy, Railway and Power Transmission

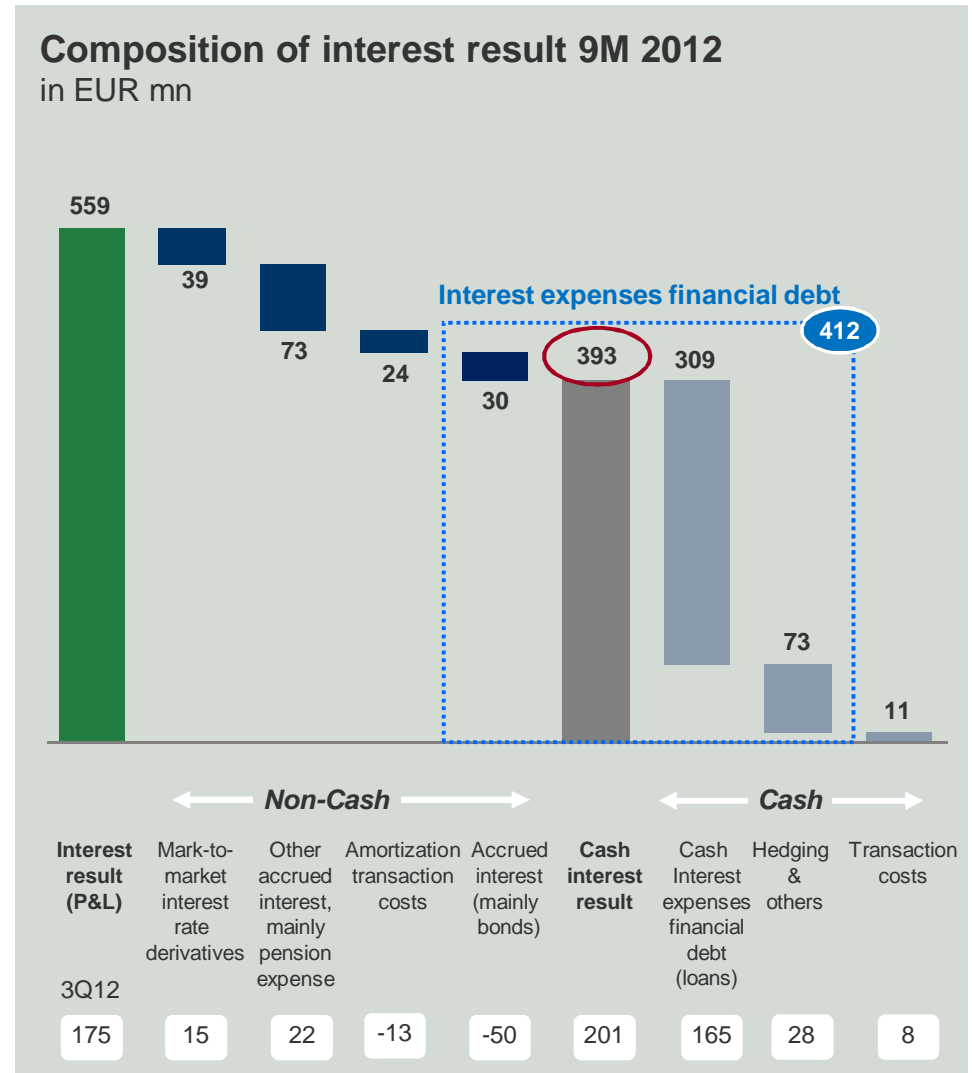
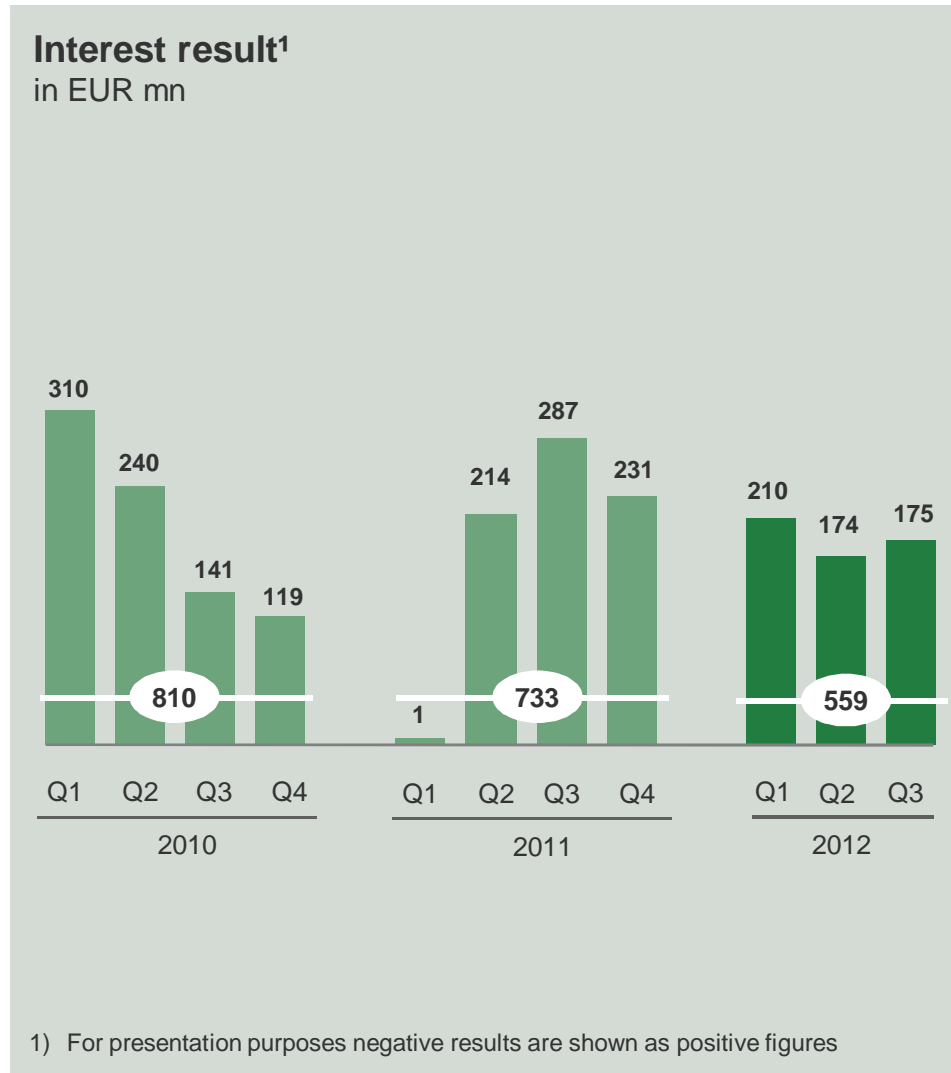
# Profitability impacted by weakness in industrial businesses



# 9M net income at EUR 731mn

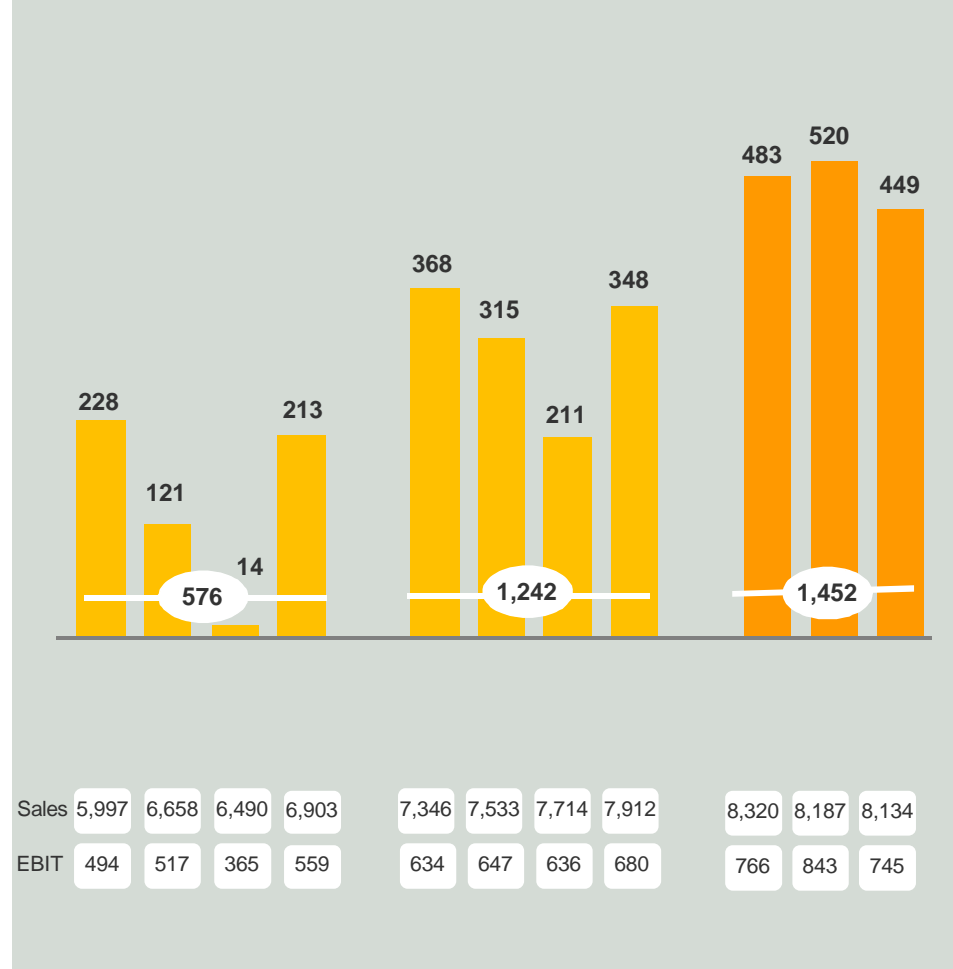


1 9M cash interest at EUR 412 mn



## 2 At equity result further improved

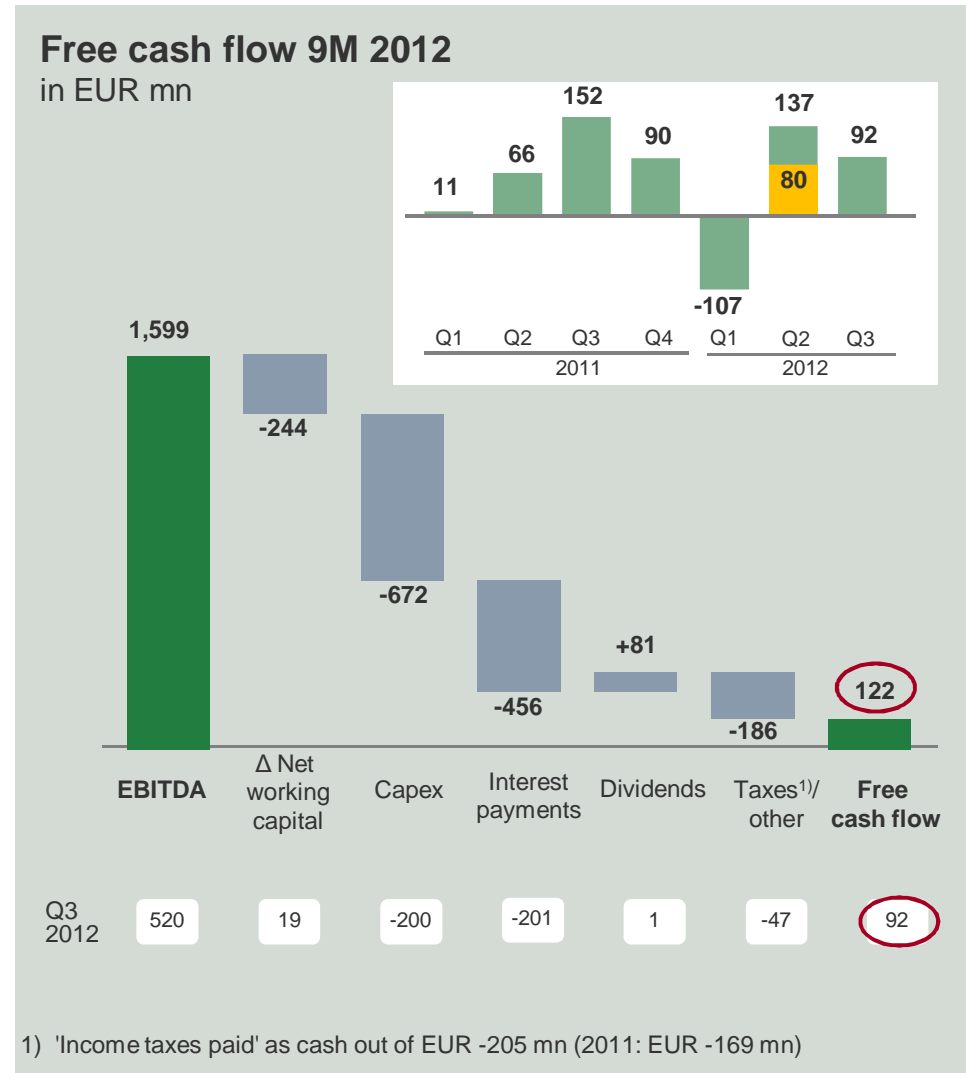
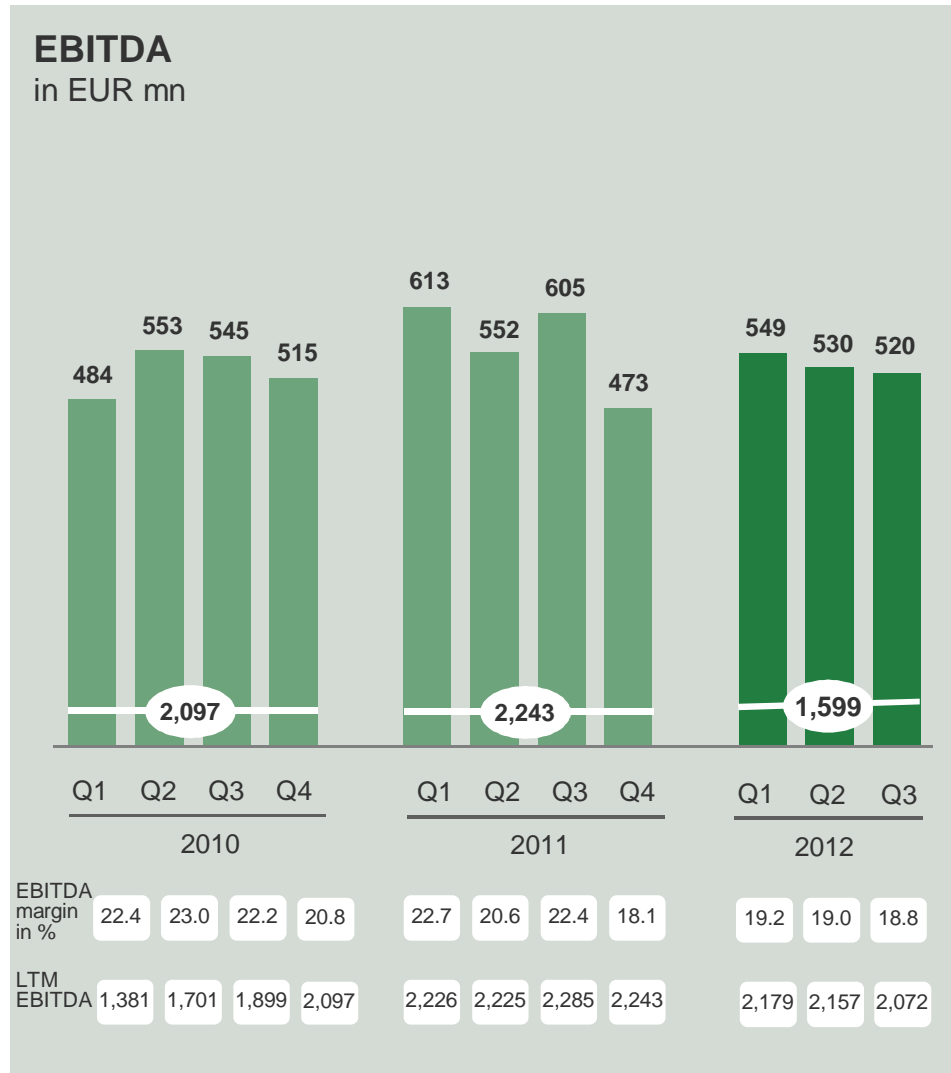
### Net income Continental in EUR mn



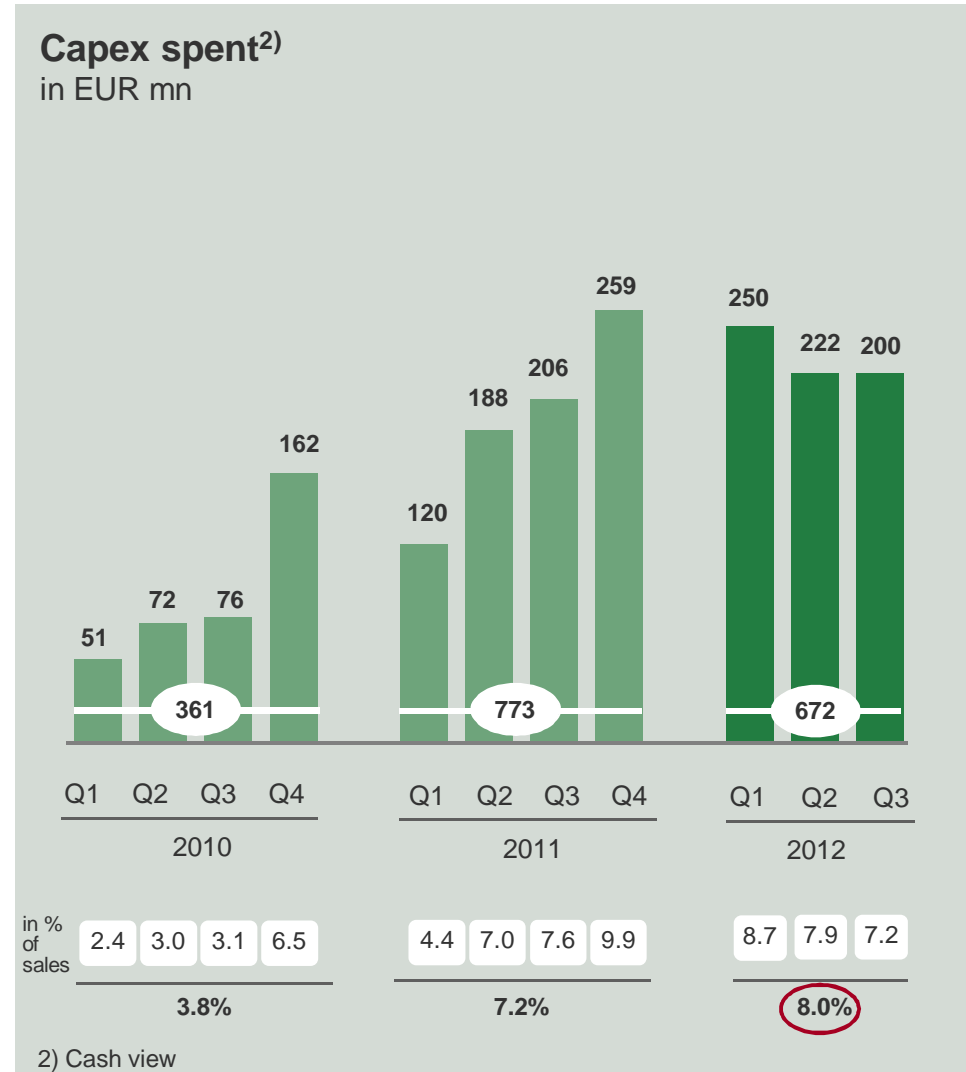
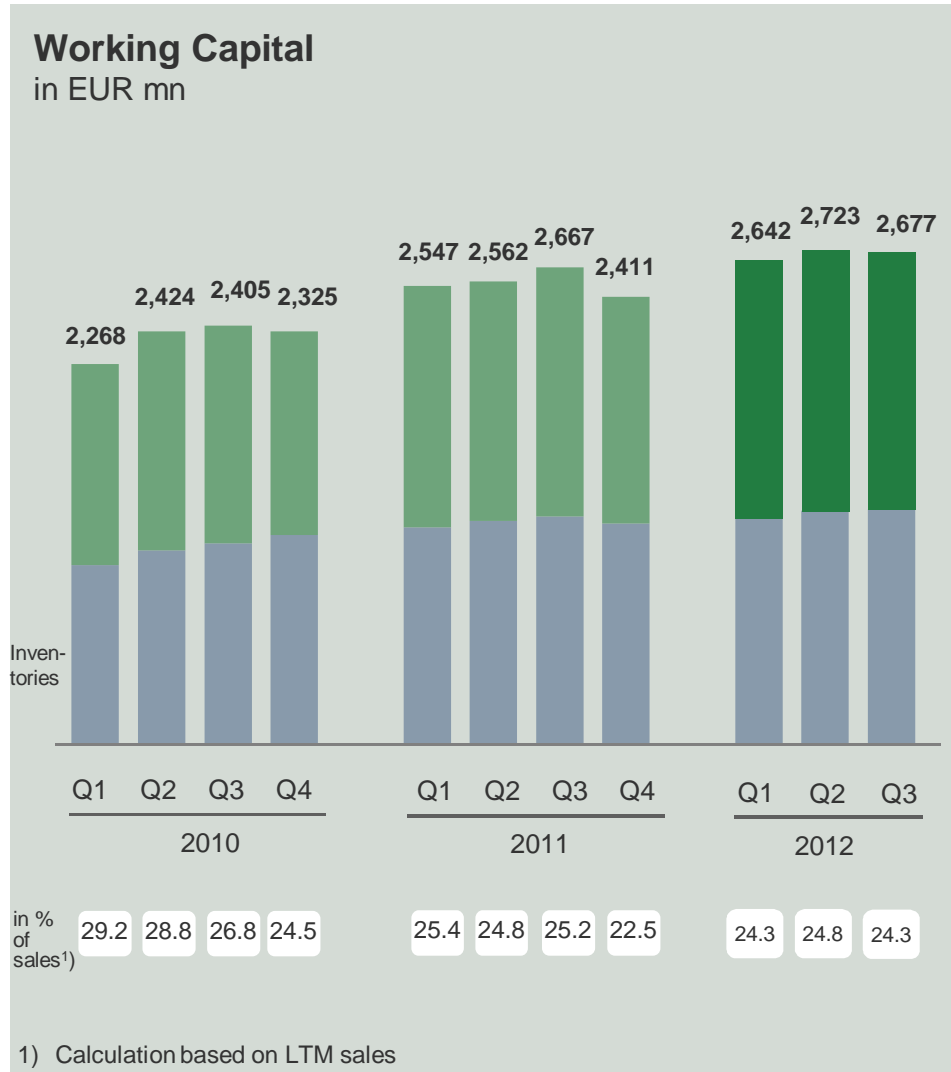
### At equity result Schaeffler in EUR mn

	2011					2012		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
Net Income Continental	368	315	211	348	1,242	483	520	449
Conti shares (per 30/09/12: 36.14%)	155	120	76	126	477	175	189	162
PPA effects	-49	-44	-42	-31	-166	-39	-40	-38
Other	0	13	0	0	13	0	0	0
<b>At Equity Result</b>	<b>106</b>	<b>89</b>	<b>34</b>	<b>95</b>	<b>324</b>	<b>136</b>	<b>149</b>	<b>124</b>

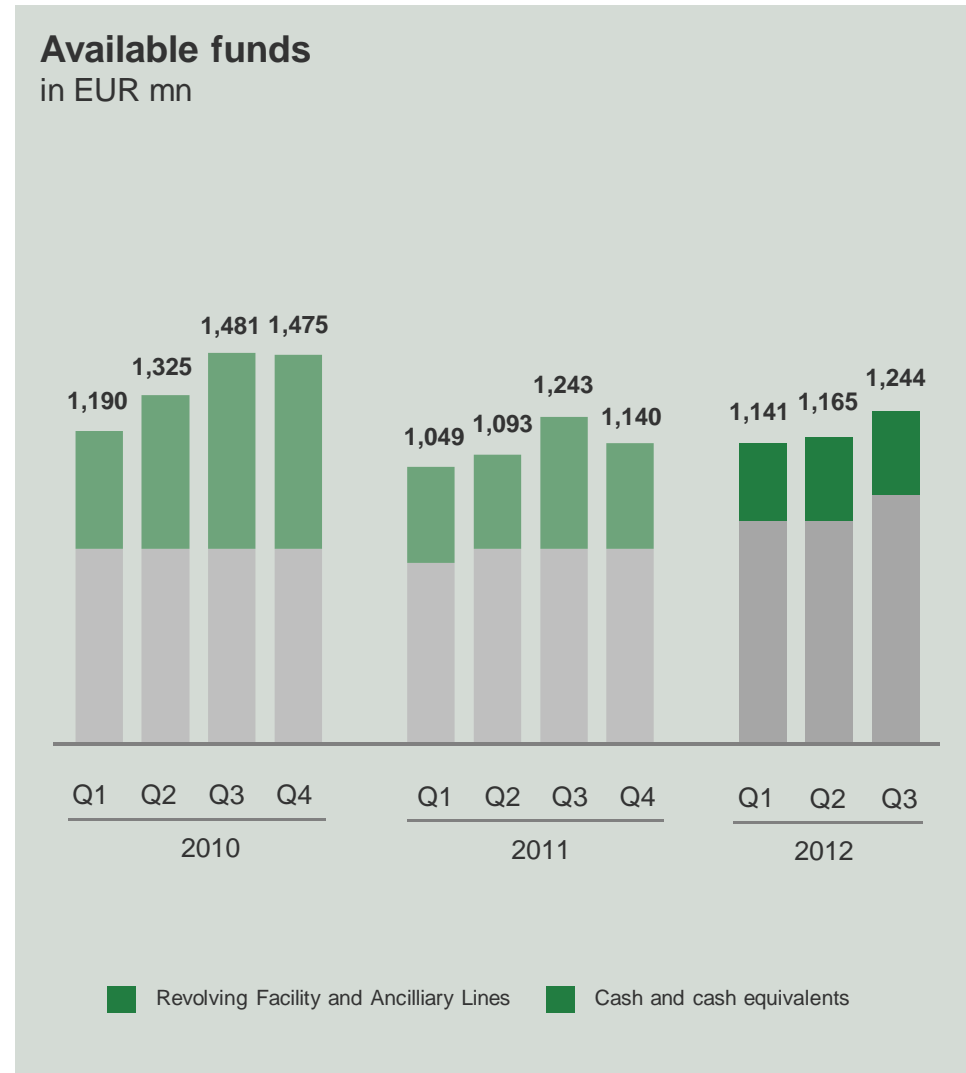
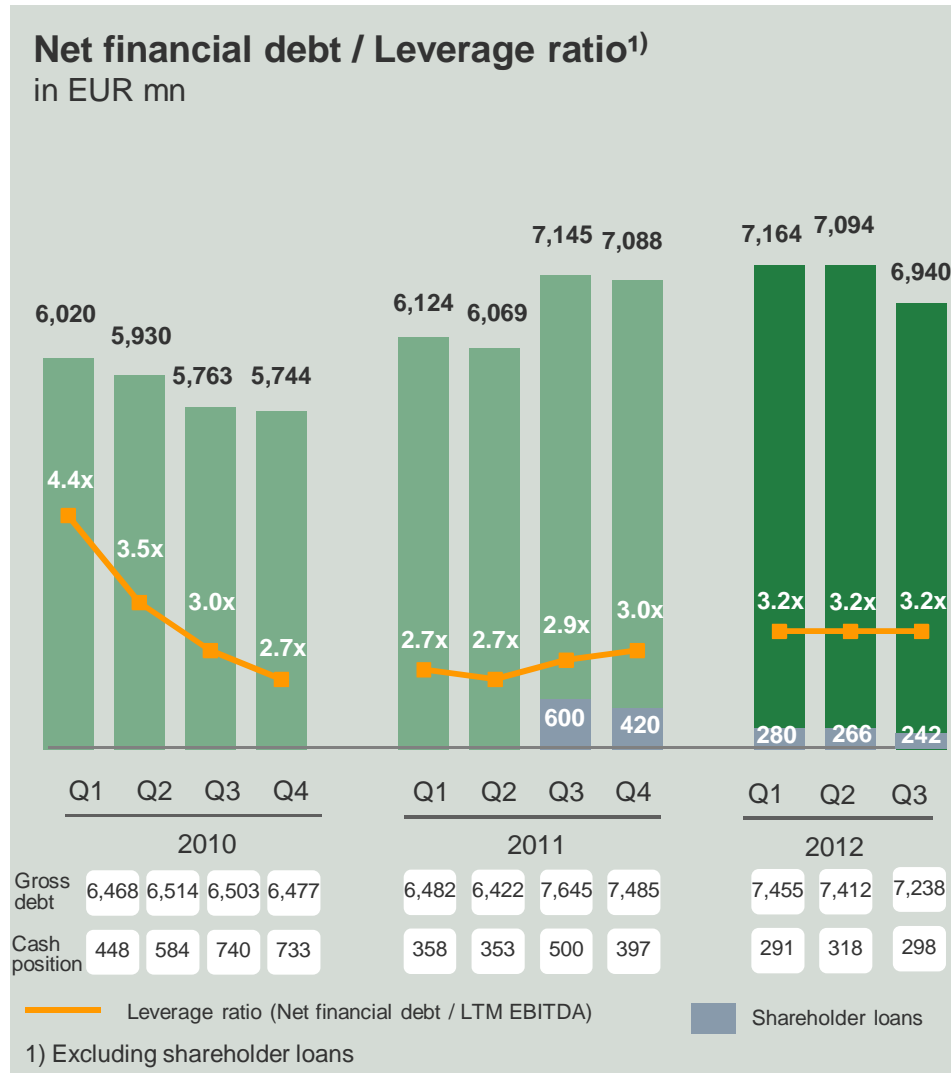
# 9M free cash flow at EUR 122 mn



# Working capital stable – Capex decelerating



# Net debt down – Leverage ratio unchanged





**Sales guidance reduced due to adverse market developments;  
Profitability targets unchanged**

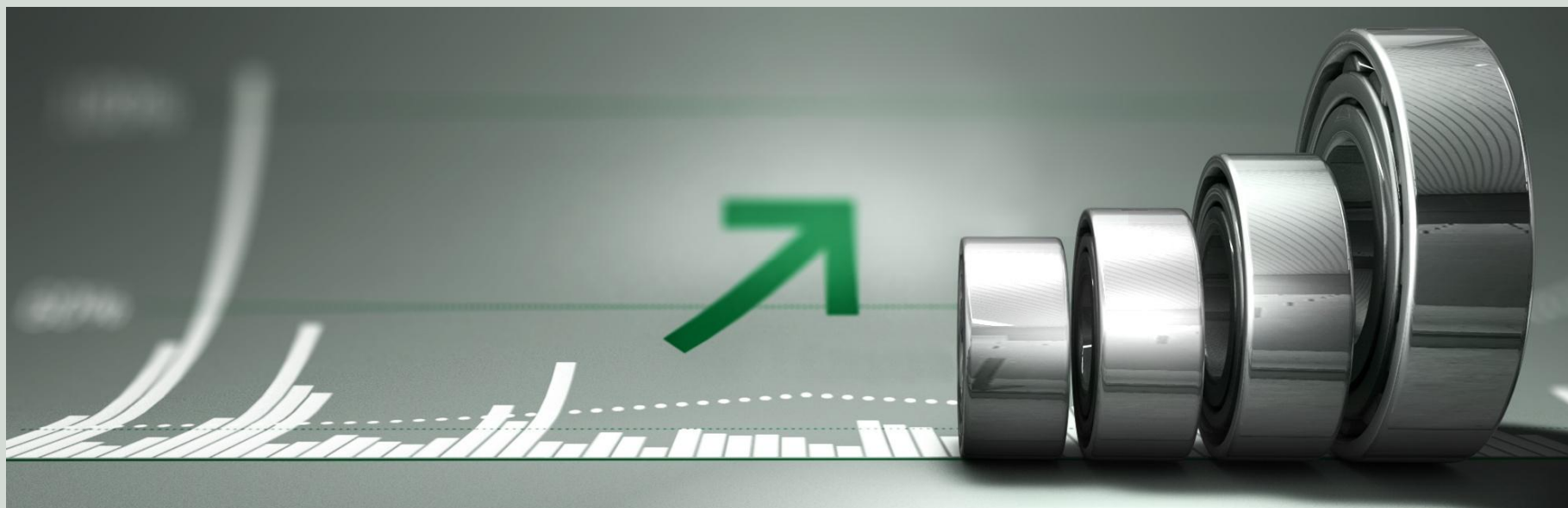
Growth	
	Target 2012
Sales growth	4 % (previously >5 %)
Capex	6-8 % of sales

Profitability	
	Target 2012
EBIT margin	> 13 %
Free cash flow	Sustainably positive

Quality	
	Target 2012
Quality policy	Further improve
Employees	> 2,500 new jobs

Innovation	
	Target 2012
R&D expenses	~ 5 % of sales
Innovation	Maintain leading position in patent applications

## Schaeffler IR contact



### **Investor Relations**

phone: + 49 9132 82 4440

fax: + 49 9132 82 4444

[ir@schaeffler.com](mailto:ir@schaeffler.com)

[www.schaeffler-group.com/ir](http://www.schaeffler-group.com/ir)

### **Financial Calendar 2012**

**Q3 2012 results: November 20, 2012**

FY 2012 results: March 21, 2013

Backup  
Bond data

SCHAEFFLER

<b>Issuer</b>	Schaeffler Finance B.V.	Schaeffler Finance B.V.	Schaeffler Finance B.V.	Schaeffler Finance B.V.	Schaeffler Finance B.V.
<b>Issue</b>	Senior Secured Notes	Senior Secured Notes	Senior Secured Notes	Senior Secured Notes	Senior Secured Notes
<b>Principal Amount</b>	€300 mn	\$600 mn	€400 mn	\$500 mn	€326 mn
<b>Offering Price</b>	98.981%	98.981%	100.000%	100.000%	98.981%
<b>Rating</b>	B1 (Moody's) B+ (S&P)	B1 (Moody's) B+ (S&P)	B1 (Moody's) B+ (S&P)	B1 (Moody's) B+ (S&P)	B1 (Moody's) B+ (S&P)
<b>Coupon</b>	7.75%	7.75%	8.75%	8.50%	6.75%
<b>Issue Date</b>	February 9, 2012	February 9, 2012	February 9, 2012	February 9, 2012	June 29, 2012
<b>Maturity</b>	February 15, 2017	February 15, 2017	February 15, 2019	February 15, 2019	July 1, 2017
<b>Interest Payment</b>	Feb. 15 / Aug. 15	Feb. 15 / Aug. 15	Feb. 15 / Aug. 15	Feb. 15 / Aug. 15	May 15 / Nov. 15
<b>ISIN</b>	XS0741938624	US806261AC75	XS0741939788	US806261AA10	XS0801261156
<b>Denomination</b>	€1,000 with minimum tradable amount €100,000	\$2,000 with minimum tradable amount \$200,000	€1,000 with minimum tradable amount €100,000	\$2,000 with minimum tradable amount \$200,000	€1,000 with minimum tradable amount €1,000

## Summary – Quarterly development

In € millions	2011				2012		
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter
<b>Income statement</b>							
Revenue	2,697	2,682	2,703	2,612	2,858	2,794	2,770
EBITDA	613	552	605	473	549	530	520
- in % of revenue	22.7	20.6	22.4	18.1	19.2	19.0	18.8
EBIT	472	411	466	340	401	379	364
- in % of revenue	17.5	15.3	17.2	13.0	14.0	13.6	13.1
<b>Net income <sup>1)</sup></b>	<b>438</b>	<b>203</b>	<b>102</b>	<b>146</b>	<b>236</b>	<b>269</b>	<b>226</b>
<b>Statement of financial position</b>							
Total assets	13,372	12,738	13,001	12,989	13,449	13,806	13,936
Shareholders' equity <sup>2)</sup>	3,288	2,719	1,498	1,714	1,617	1,865	2,060
- in % of total assets	24.6	21.3	11.5	13.2	12.0	13.5	14.8
Net financial debt <sup>3)</sup>	6,108	6,063	6,529	6,668	6,884	6,828	6,698
- Financial debt to EBITDA ratio <sup>4)</sup>	2.7	2.7	2.9	3.0	3.2	3.2	3.2
Capital expenditures <sup>5)</sup>	122	190	212	322	235	224	199
<b>Statement of cash flows</b>							
Free cash flow <sup>6)</sup>	11	66	152	90	-107	137	92
<b>Employees</b>							
Headcount (at end of reporting period)	69,517	71,084	72,951	74,031	74,948	75,868	76,656

<sup>1)</sup> Attributable to shareholders of the parent company.

<sup>3)</sup> Excluding shareholder loans.

<sup>5)</sup> Capital expenditures for the quarter.

<sup>2)</sup> Including non-controlling interests.

<sup>4)</sup> EBITDA based on the last 12 months.

<sup>6)</sup> Free cash flow for the quarter.

## Consolidated statement of income

In € millions	1 <sup>st</sup> nine months			3 <sup>rd</sup> quarter		
	2012	2011	Change in %	2012	2011	Change in %
Revenue	8,422	8,082	4.2	2,770	2,703	2.5
Cost of sales	-5,856	-5,586	4.8	-1,923	-1,866	3.1
<b>Gross profit</b>	<b>2,566</b>	<b>2,496</b>	<b>2.8</b>	<b>847</b>	<b>837</b>	<b>1.2</b>
Research and development expenses	-444	-362	22.7	-150	-118	27.1
Selling expenses	-574	-537	6.9	-192	-183	4.9
Administrative expenses	-353	-299	18.1	-112	-95	17.9
Other income	154	265	-41.9	55	131	-58.0
Other expenses	-205	-214	-4.2	-84	-106	-20.8
<b>Earnings before financial result and income taxes (EBIT)</b>	<b>1,144</b>	<b>1,349</b>	<b>-15.2</b>	<b>364</b>	<b>466</b>	<b>-21.9</b>
Share of net income of equity-accounted investees	410	229	79.0	124	34	> 100
Interest income	51	34	50.0	18	12	50.0
Interest expense	-610	-536	13.8	-193	-299	-35.5
<b>Financial result</b>	<b>-149</b>	<b>-273</b>	<b>-45.4</b>	<b>-51</b>	<b>-253</b>	<b>-79.8</b>
<b>Earnings before income taxes</b>	<b>995</b>	<b>1,076</b>	<b>-7.5</b>	<b>313</b>	<b>213</b>	<b>46.9</b>
Income taxes	-254	-323	-21.4	-84	-108	-22.2
<b>Net income</b>	<b>741</b>	<b>753</b>	<b>-1.6</b>	<b>229</b>	<b>105</b>	<b>&gt; 100</b>
Attributable to shareholders of the parent company	731	743	-1.6	226	102	> 100
Attributable to non-controlling interests	10	10	0.0	3	3	0.0

## Consolidated balance sheet – Assets

In € millions	9/30/2012	12/31/2011	9/30/2011	Change in % 1)
<b>ASSETS</b>				
Intangible assets	557	553	557	0.7
Property, plant and equipment	3,532	3,328	3,096	6.1
Investments in equity-accounted investees	5,193	4,772	4,674	8.8
Other investments	14	14	7	0.0
Other assets	97	95	99	2.1
Income tax receivables	15	22	12	-31.8
Deferred tax assets	392	350	330	12.0
<b>Total non-current assets</b>	<b>9,800</b>	<b>9,134</b>	<b>8,775</b>	<b>7.3</b>
Inventories	1,665	1,562	1,612	6.6
Trade receivables	1,819	1,607	1,762	13.2
Other assets	228	200	263	14.0
Income tax receivables	126	89	89	41.6
Cash and cash equivalents	298	397	500	-24.9
<b>Total current assets</b>	<b>4,136</b>	<b>3,855</b>	<b>4,226</b>	<b>7.3</b>
<b>Total assets</b>	<b>13,936</b>	<b>12,989</b>	<b>13,001</b>	<b>7.3</b>

## Consolidated balance sheet – Equity and liabilities

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Share capital	500	500	500	0.0
Reserves	1,770	1,324	1,183	33.7
Accumulated other comprehensive income (loss)	-272	-163	-237	66.9
<b>Equity attributable to shareholders of the parent company</b>	<b>1,998</b>	<b>1,661</b>	<b>1,446</b>	<b>20.3</b>
Non-controlling interests	62	53	52	17.0
<b>Total shareholders' equity</b>	<b>2,060</b>	<b>1,714</b>	<b>1,498</b>	<b>20.2</b>
Provisions for pensions and similar obligations	1,488	1,217	1,178	22.3
Provisions	71	79	123	-10.1
Financial debt	7,113	7,168	7,307	-0.8
Income tax payables	218	172	136	26.7
Other liabilities	295	261	338	13.0
Deferred tax liabilities	109	124	147	-12.1
<b>Total non-current liabilities</b>	<b>9,294</b>	<b>9,021</b>	<b>9,229</b>	<b>3.0</b>
Provisions	208	208	387	0.0
Financial debt	125	317	338	-60.6
Trade payables	919	873	831	5.3
Income tax payables	218	184	205	18.5
Other liabilities	1,112	672	513	65.5
<b>Total current liabilities</b>	<b>2,582</b>	<b>2,254</b>	<b>2,274</b>	<b>14.6</b>
<b>Total shareholders' equity and liabilities</b>	<b>13,936</b>	<b>12,989</b>	<b>13,001</b>	<b>7.3</b>

<sup>1)</sup> September 30, 2012 compared to December 31, 2011.

# Consolidated statement of cash flow

In € millions	1 <sup>st</sup> nine months			3 <sup>rd</sup> quarter		
	2012	2011	Change in %	2012	2011	Change in %
<b>Operating activities</b>						
EBIT	1,144	1,349	-15.2	364	466	-21.9
Interest paid	-461	-467	-1.3	-202	-152	32.9
Interest received	5	9	-44.4	1	3	-66.7
Income taxes paid	-205	-169	21.3	-73	-77	-5.2
Dividends received	81	0	-	1	0	-
Depreciation, amortization and impairments	455	421	8.1	156	139	12.2
Gains/losses on disposal of assets	1	0	-	1	1	0.0
Other non-cash items	-23	-9	> 100	7	13	-46.2
Changes in:						
Inventories	-99	-164	-39.6	-21	-26	-19.2
Trade receivables	-201	-341	-41.1	51	-51	< -100
Trade payables	56	104	-46.2	-11	-23	-52.2
Provisions for pensions and similar obligations	-46	-63	-27.0	-13	-38	-65.8
Other assets, liabilities and provisions	76	54	40.7	27	98	-72.4
<b>Cash flows from operating activities</b>	<b>783</b>	<b>724</b>	<b>8.1</b>	<b>288</b>	<b>353</b>	<b>-18.4</b>
<b>Investing activities</b>						
Proceeds from disposals of intangible assets and property, plant and equipment	13	14	-7.1	5	5	0.0
Capital expenditures on intangible assets	-28	-11	> 100	-8	-4	100
Capital expenditures on property, plant and equipment	-644	-503	28.0	-192	-202	-5.0
Investments in other investments	-3	-2	50.0	-2	-1	100
Inflows from other investing activities	1	7	-85.7	1	1	0.0
<b>Cash used in investing activities</b>	<b>-661</b>	<b>-495</b>	<b>33.5</b>	<b>-196</b>	<b>-201</b>	<b>-2.5</b>
<b>Financing activities</b>						
Dividends paid to non-controlling interests	-1	-1	0.0	0	0	-
Receipts from loans	407	18	> 100	237	14	> 100
Repayments of loans	-434	-31	> 100	-332	-10	> 100
Acquisitions in stages	-13	0	-	0	0	-
Dividends paid to Schaeffler Verwaltungs GmbH	0	-400	-100	0	0	-
Payments made for other financing activities	-183	-33	> 100	-17	-7	> 100
<b>Cash used in financing activities</b>	<b>-224</b>	<b>-447</b>	<b>-49.9</b>	<b>-112</b>	<b>-3</b>	<b>&gt; 100</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-102</b>	<b>-218</b>	<b>-53.2</b>	<b>-20</b>	<b>149</b>	<b>&lt; -100</b>
Effects of foreign exchange rate changes on cash and cash equivalents	3	-15	< -100	0	-2	-100
Cash and cash equivalents as of beginning of period	397	733	-45.8	318	353	-9.9
<b>Cash and cash equivalents as of end of period</b>	<b>298</b>	<b>500</b>	<b>-40.4</b>	<b>298</b>	<b>500</b>	<b>-40.4</b>



## Consolidated segment information (9M 2012)

In € millions	Automotive		Industrial		Other		Total	
	1 <sup>st</sup> nine months		1 <sup>st</sup> nine months		1 <sup>st</sup> nine months		1 <sup>st</sup> nine months	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue	5,761	5,403	2,613	2,609	48 <sup>1)</sup>	70 <sup>1)</sup>	8,422	8,082
Cost of sales	-4,157	-3,893	-1,651	-1,623	-48	-70	-5,856	-5,586
Gross profit	1,604	1,510	962	986	0	0	2,566	2,496
EBIT	764	857	380	492	0	0	1,144	1,349
- in % of revenue	13.3	15.9	14.5	18.9	-	-	13.6	16.7
Depreciation, amortization and impairments	-317	-301	-138	-120	0	0	-455	-421
Inventories <sup>2)</sup>	936	890	729	722	0	0	1,665	1,612
Trade receivables <sup>2)</sup>	1,272	1,214	547	548	0	0	1,819	1,762
Property, plant and equipment <sup>2)</sup>	2,421	2,081	1,111	1,015	0	0	3,532	3,096
Capital expenditures	481	395	177	129	0	0	658	524

## Consolidated segment information (Q3 2012)

In € millions	Automotive		Industrial		Other		Total	
	3 <sup>rd</sup> quarter		3 <sup>rd</sup> quarter		3 <sup>rd</sup> quarter		3 <sup>rd</sup> quarter	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue	1,919	1,814	840	876	11 <sup>1)</sup>	13 <sup>1)</sup>	2,770	2,703
Cost of sales	-1,372	-1,309	-540	-544	-11	-13	-1,923	-1,866
Gross profit	547	505	300	332	0	0	847	837
EBIT	260	294	104	172	0	0	364	466
- in % of revenue	13.5	16.2	12.4	19.6	-	-	13.1	17.2
Depreciation, amortization and impairments	-110	-99	-46	-40	0	0	-156	-139
Inventories <sup>2)</sup>	936	890	729	722	0	0	1,665	1,612
Trade receivables <sup>2)</sup>	1,272	1,214	547	548	0	0	1,819	1,762
Property, plant and equipment <sup>2)</sup>	2,421	2,081	1,111	1,015	0	0	3,532	3,096
Capital expenditures	143	159	56	53	0	0	199	212

Prior year information presented based on 2012 segment structure.

<sup>1)</sup> The amount consists mainly of materials provided to subcontractors.

<sup>2)</sup> Amounts as at September 30.

## Useful links and references

<b>Schaeffler Investor Relations website</b>	<a href="http://www.schaeffler-group.com/content.schaefflergroup.de/en/investorrelations/IR.jsp">http://www.schaeffler-group.com/content.schaefflergroup.de/en/investorrelations/IR.jsp</a>
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