



Results Q1 2013 Schaeffler Group

Klaus Rosenfeld, CFO

Herzogenaurach

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Agenda

- 1** Business Overview
- 2** Results Q1 2013
- 3** Financing and Capital Structure
- 4** Outlook

Solid results in a challenging environment



Professional education at the plant in Schweinfurt, Germany



New concept motorcycle, presented at Hanover Fair in April 2013

Q1 2013 Group Sales with approx. 2.8 billion Euro down by 3.6% compared to very strong Q1 2012

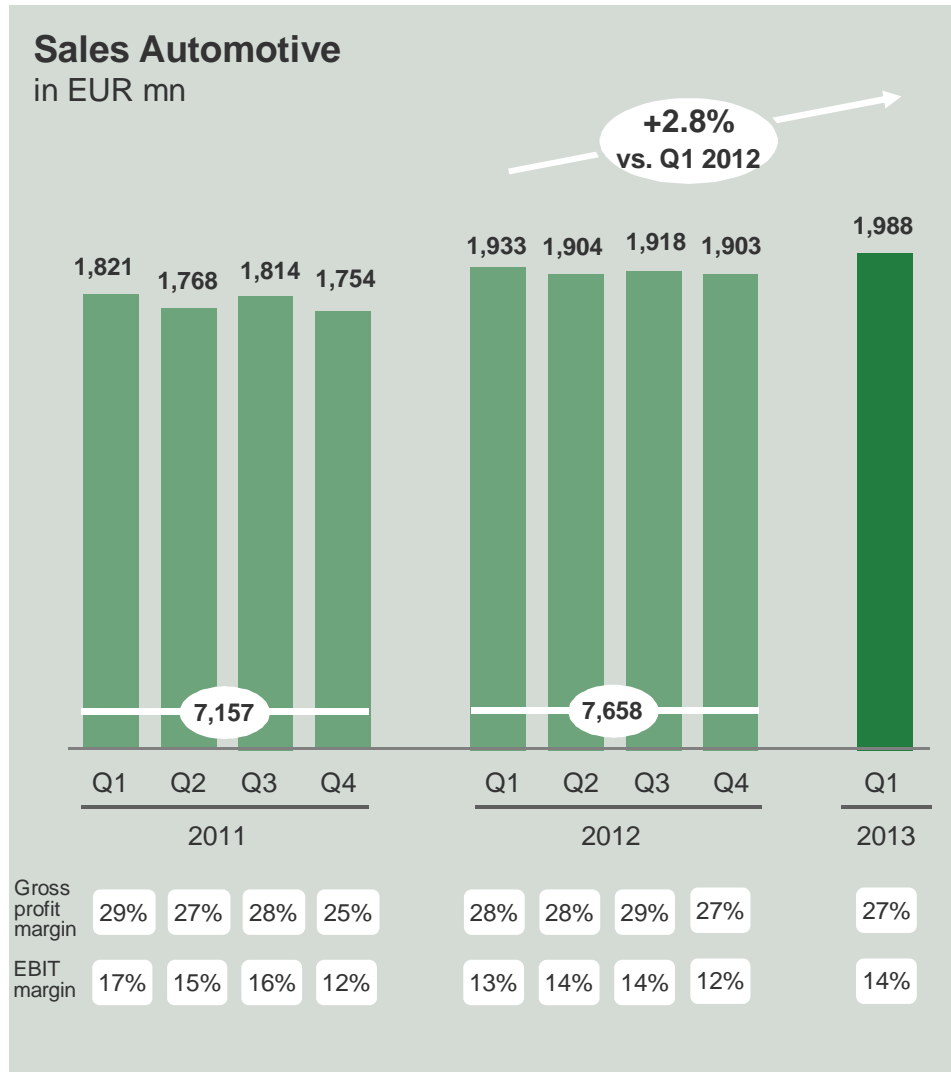
Automotive sales growth above market: +2.8%
Industrial sales challenged by market conditions: -15.4%

Superior earnings quality maintained –
EBIT margin stable at 12.9%

Free Cash Flow at 52 million Euro

Successful placement of further senior secured bonds of 1.25 billion Euro and refinancing of bank loans

Automotive – Positive sales growth despite challenging market environment



Key aspects Automotive

Q1 2013

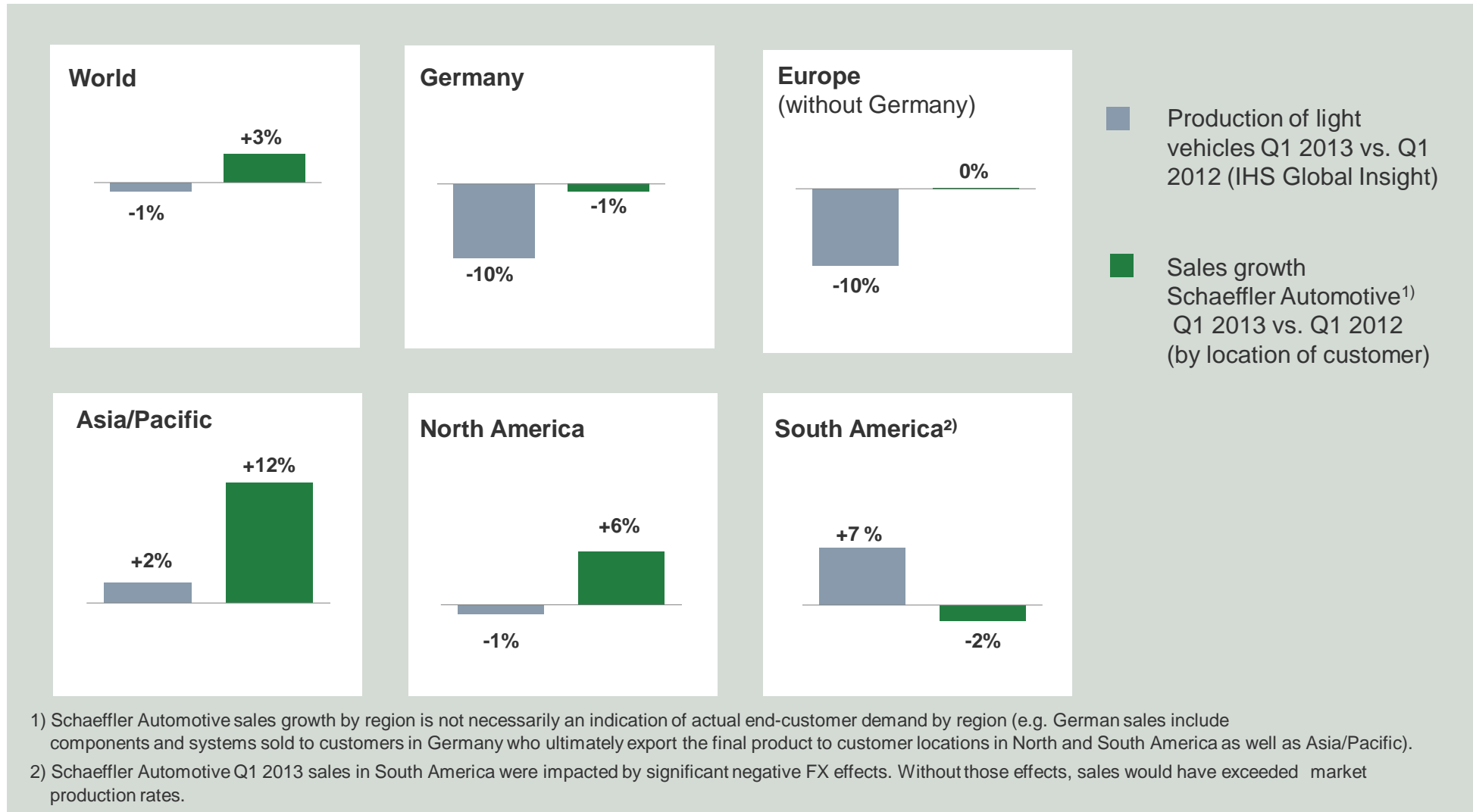
Automotive sales +2.8% despite weak market environment in Europe

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

Growth trend supported by both established (e.g. dry double clutches) and innovative products (e.g. thermal management module)

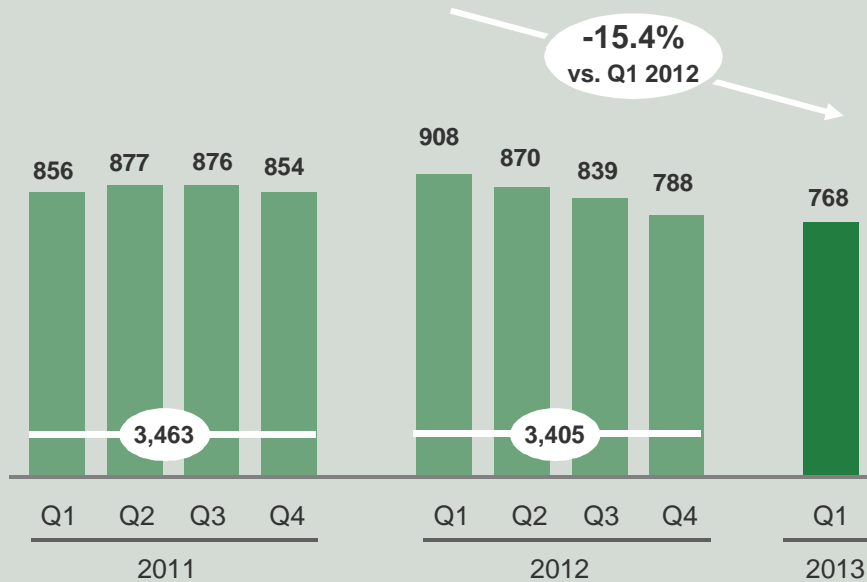
Further prestigious supplier awards received (i.e. Geely Excellent Supplier Award 2013)

Automotive – Sales growth ahead of overall market



Industrial – Industrial sales stabilizing at low level

Sales Industrial in EUR mn



	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1
Gross profit margin	39%	36%	38%	34%	39%	36%	36%	28%	33%
EBIT margin	20%	17%	20%	14%	17%	14%	12%	4%	10%

Key aspects Industrial Q1 2013

Industrial markets affected by decline in worldwide demand

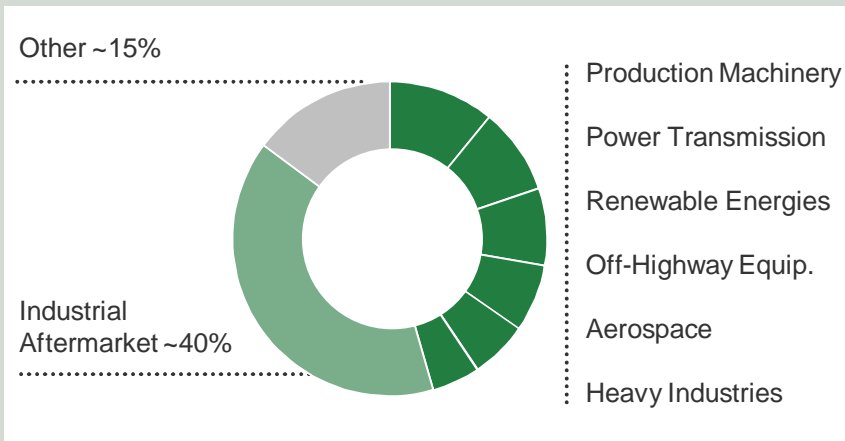
Quarterly sales decreased in all sectors apart from Heavy Industries and Aerospace

Inventory reductions of aftermarket dealers led to decrease in aftermarket business

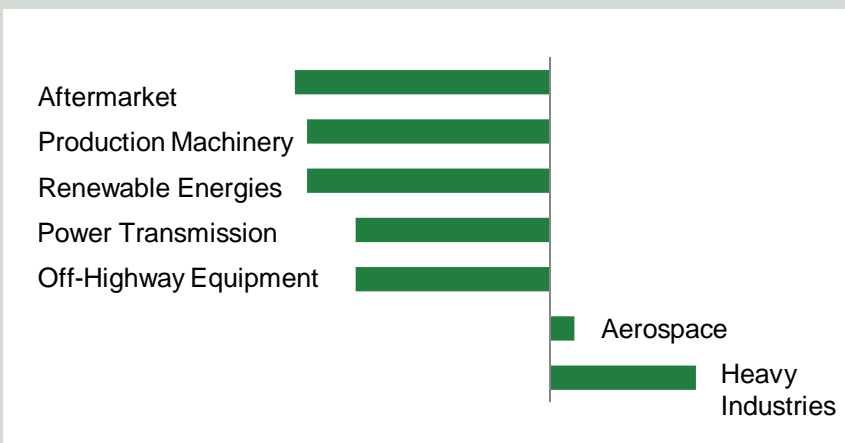
Positive order intake hints at slight business improvement over the next quarters

Industrial – Key markets with different growth dynamics

Sales contributions of key industrial business units



Sales Q1 2013 vs. Q1 2012



Markets

Production Machinery:

- Continuous subdued demand in China

Power Transmission:

- Low market demand particularly in China
- Construction machinery customers with high inventory levels

Renewable Energies:

- Overcapacities, pricing pressure and political uncertainty impact wind markets significantly

Aerospace:

- Stable long-term growth
- Mid term introduction of new propulsion engine will lead to accelerating legacy platform retirements

Agenda

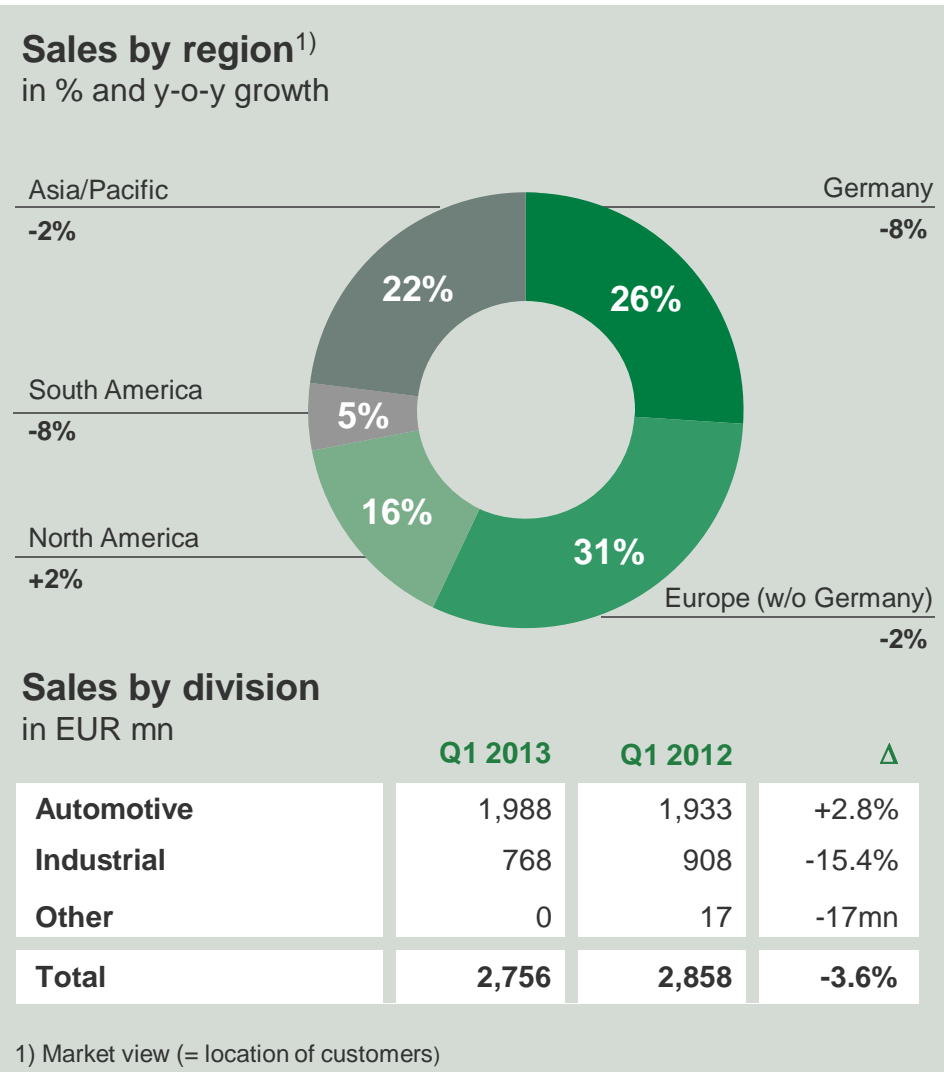
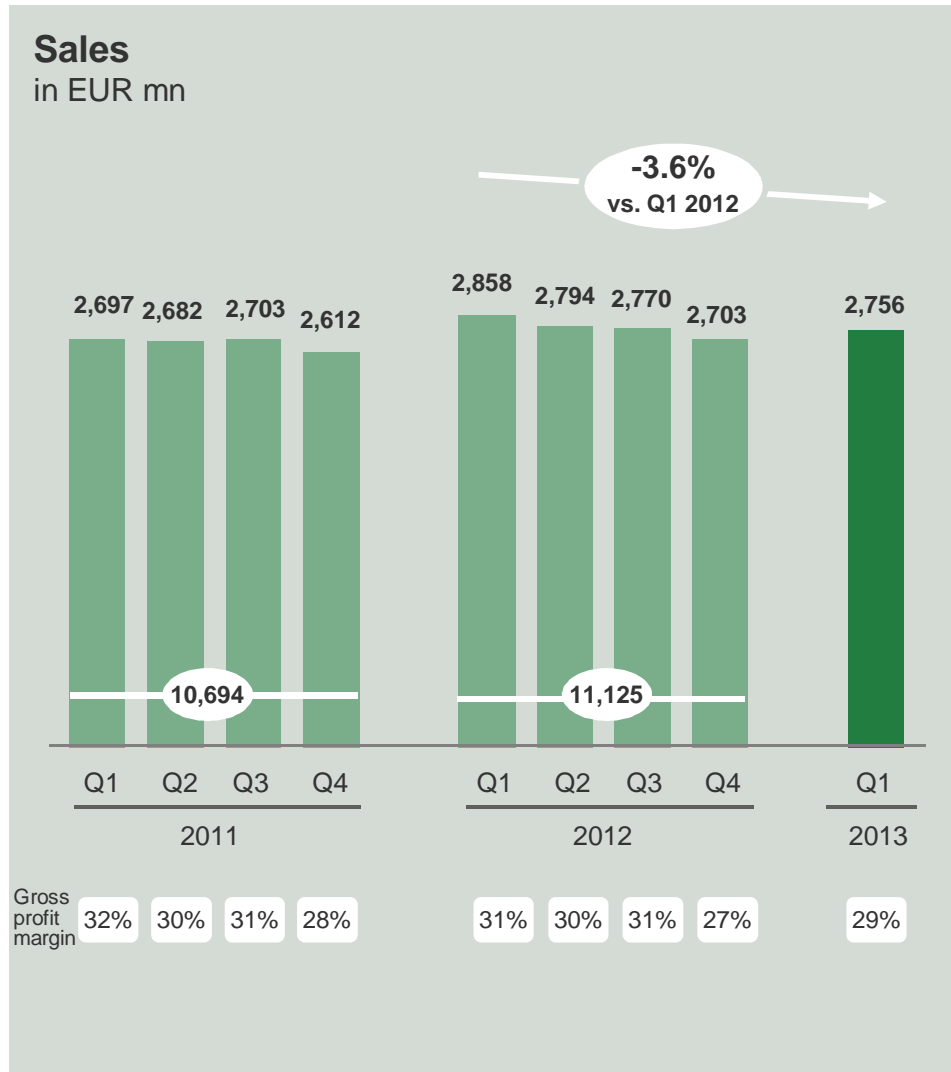
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Solid start into the year 2013

	Q1 2013 in EUR mn	Q1 2012 in EUR mn	Δ in EUR mn / %	Ø LTM ² in EUR mn	Δ in EUR mn / %
Sales	2,756	2,858	-3.6 %	2,756	+ 0.0 %
EBITDA	512	549	-37 mn	499	+13 mn
EBITDA margin	18.6 %	19.2 %	-0.6 % pts.	18.1 %	+0.5 % pts.
EBIT	355	401	- 46 mn	342	+13 mn
EBIT margin	12.9 %	14.0 %	-1.1 % pts.	12.4 %	+0.5 % pts.
Net income ¹	233	235	- 2 mn	217	+16 mn
Free cash flow	52	-107	+159 mn	135 ³⁾	- 83 mn
Leverage ratio	3.3x	3.2x	0.1x	3.2	0.1x

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) Average LTM = last twelve months quarterly figures divided by 4
3) LTM cash flow figure includes 80 million Euro dividend from Continental (averaging 20 million Euro per quarter); no dividend included in Q1 2013

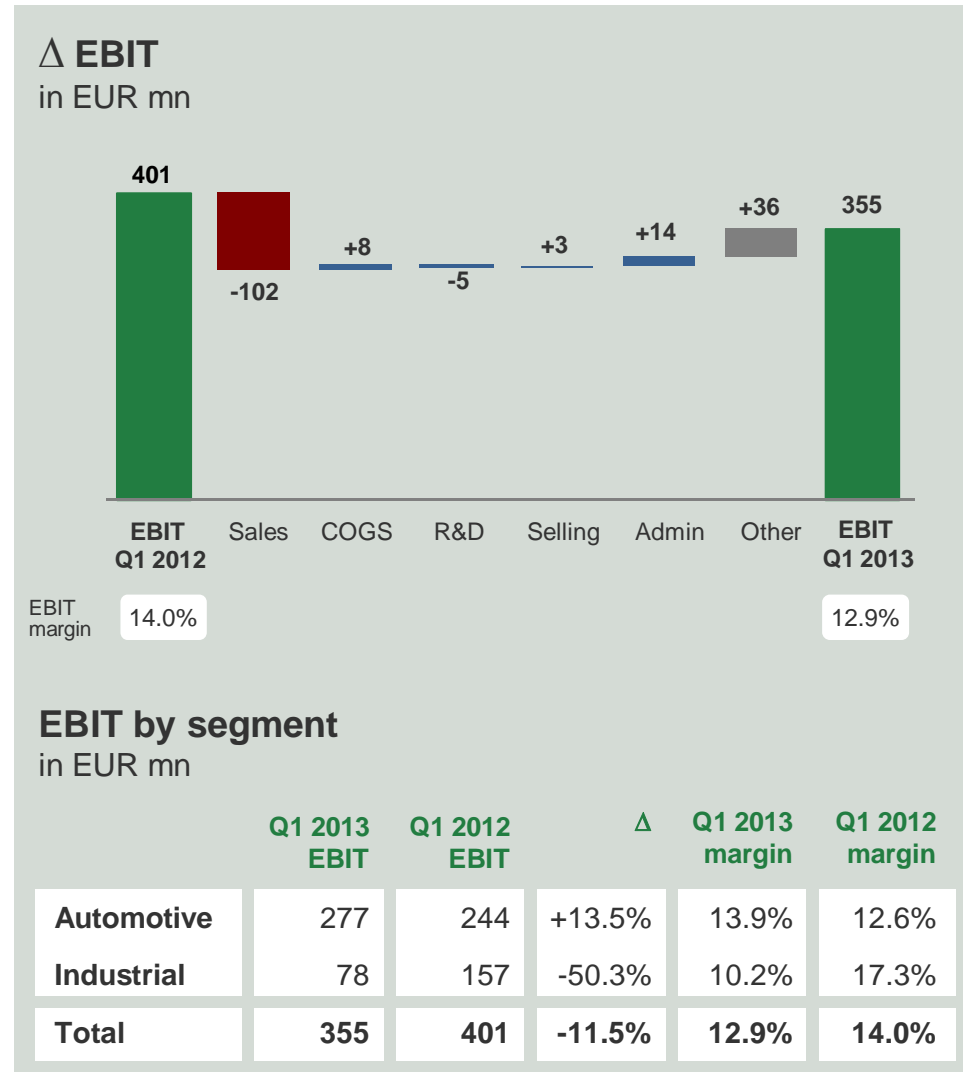
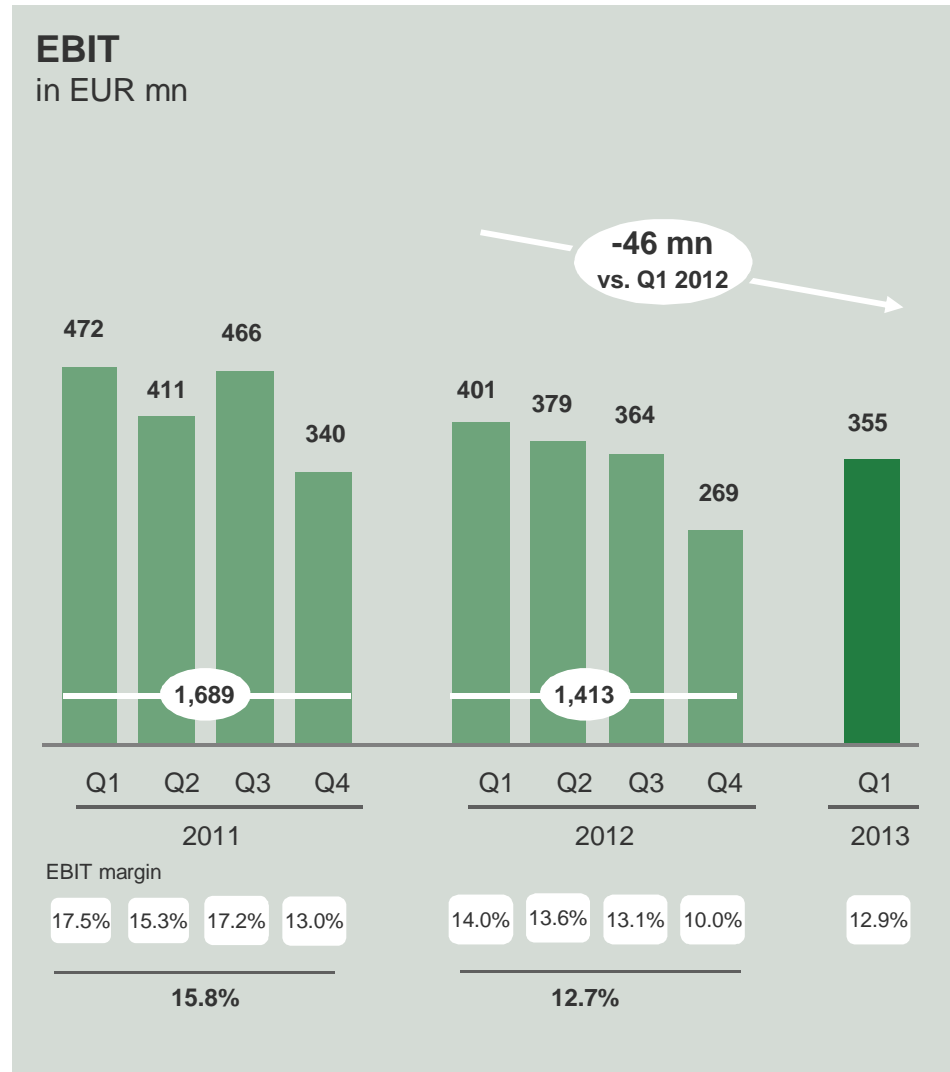
Sales down by 3.6%



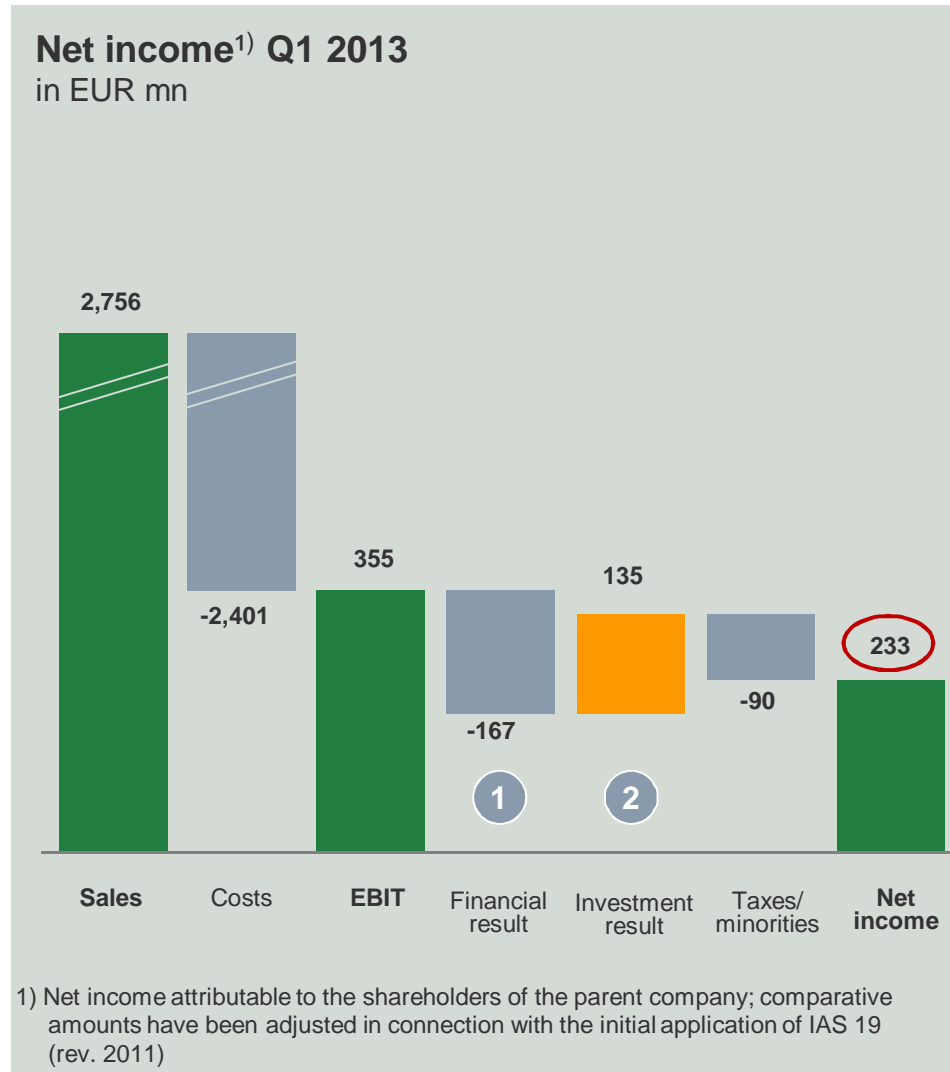
2 Results Q1 2013

EBIT margin 12.9%

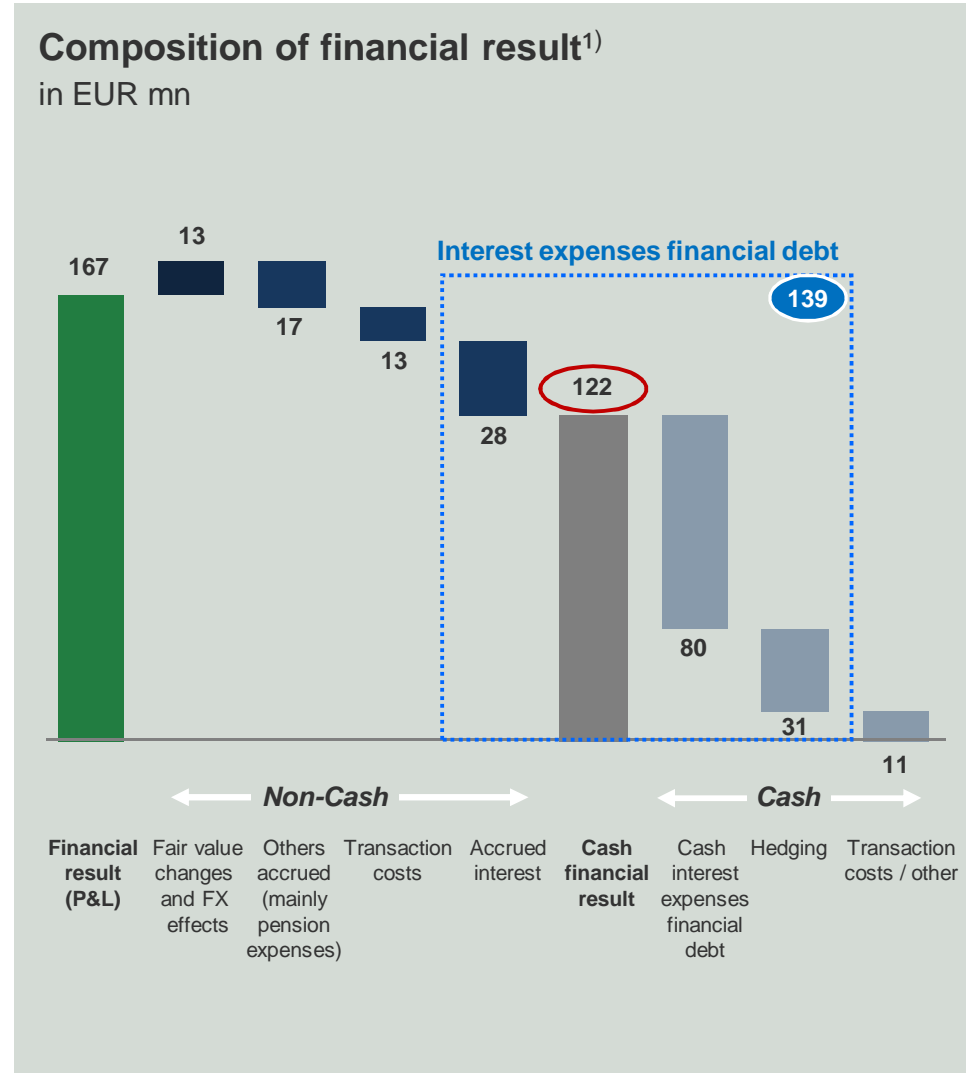
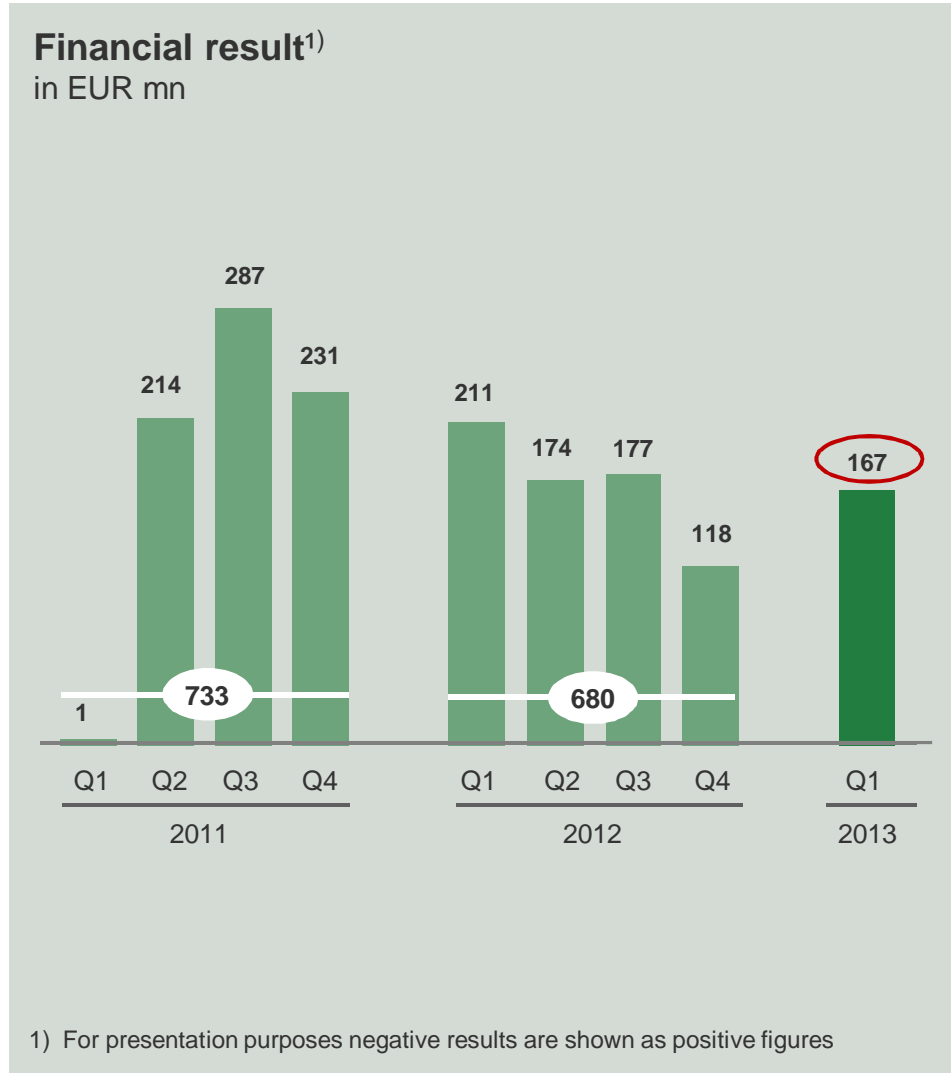
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Net income EUR 233 million

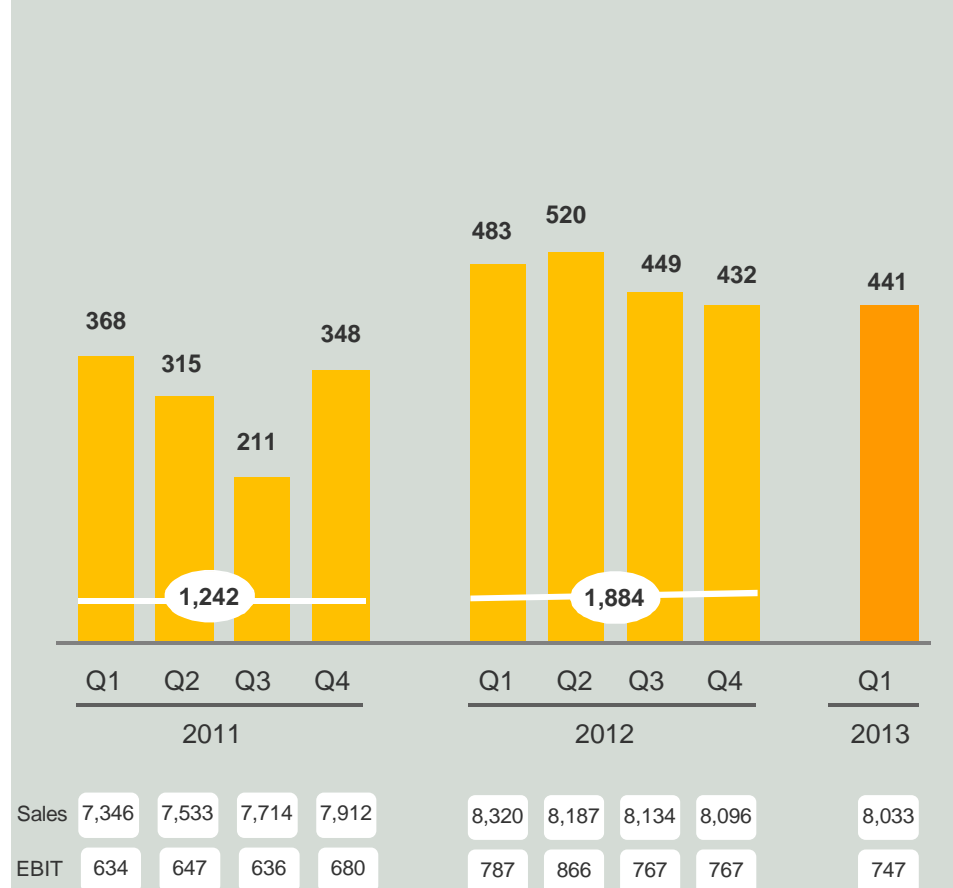


1 Financial result minus EUR 167 million



2 At equity result EUR 135 million

Net income Continental¹⁾ in EUR mn

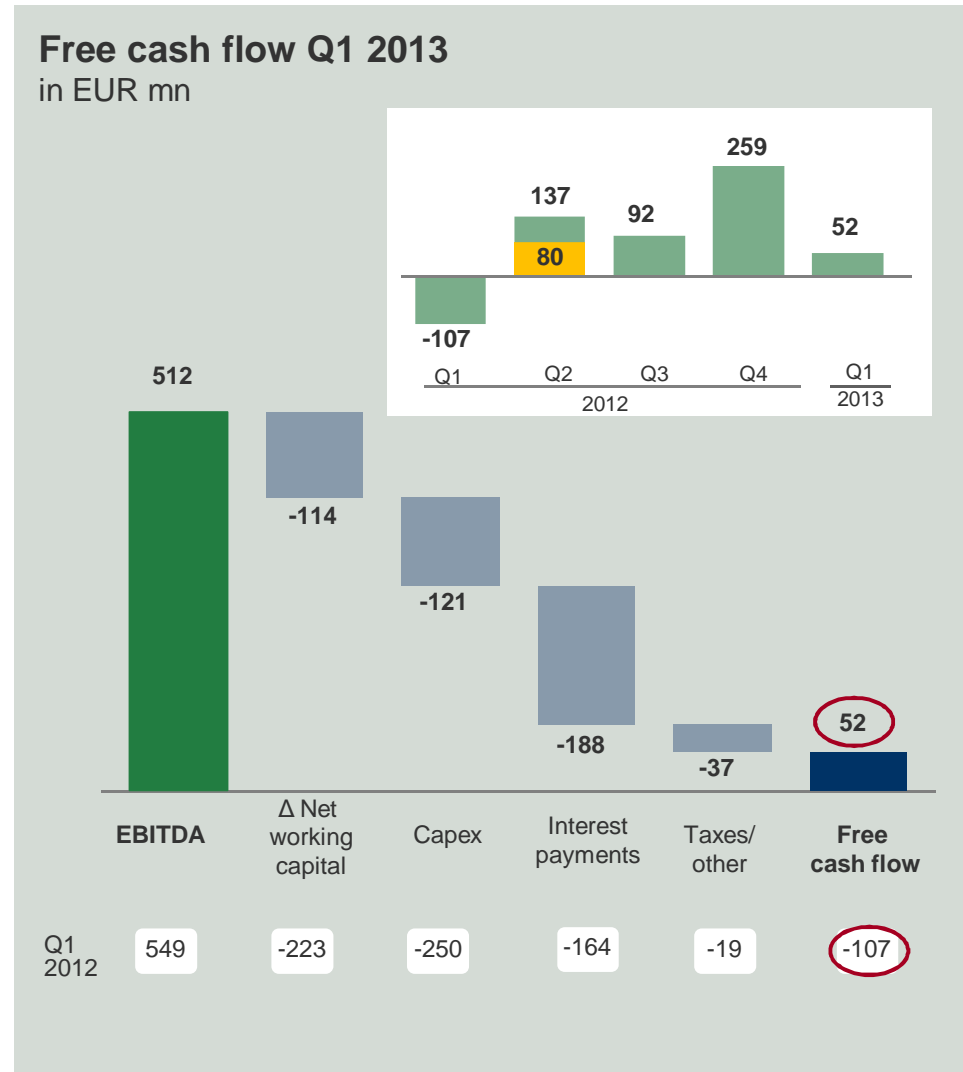
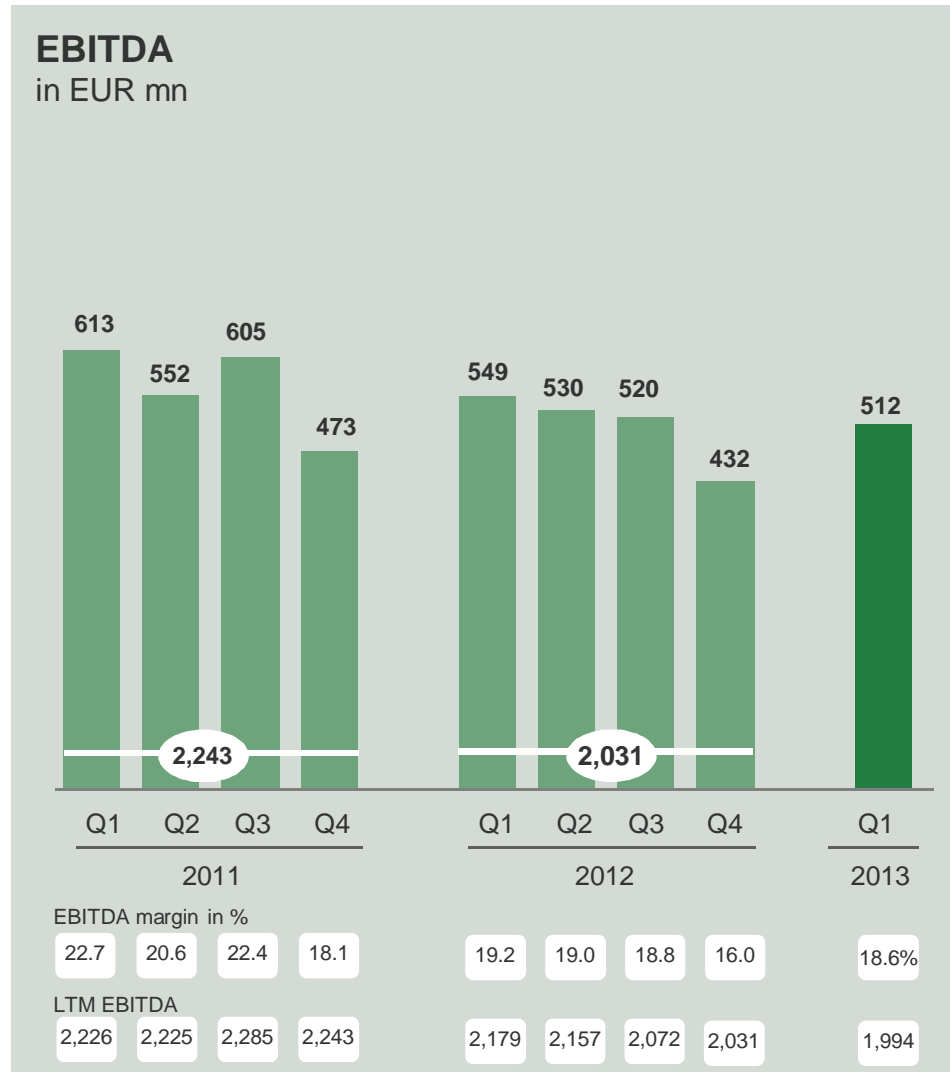


1) 2012 before adjustments in connection with the initial application of IAS 19 (rev. 2011)

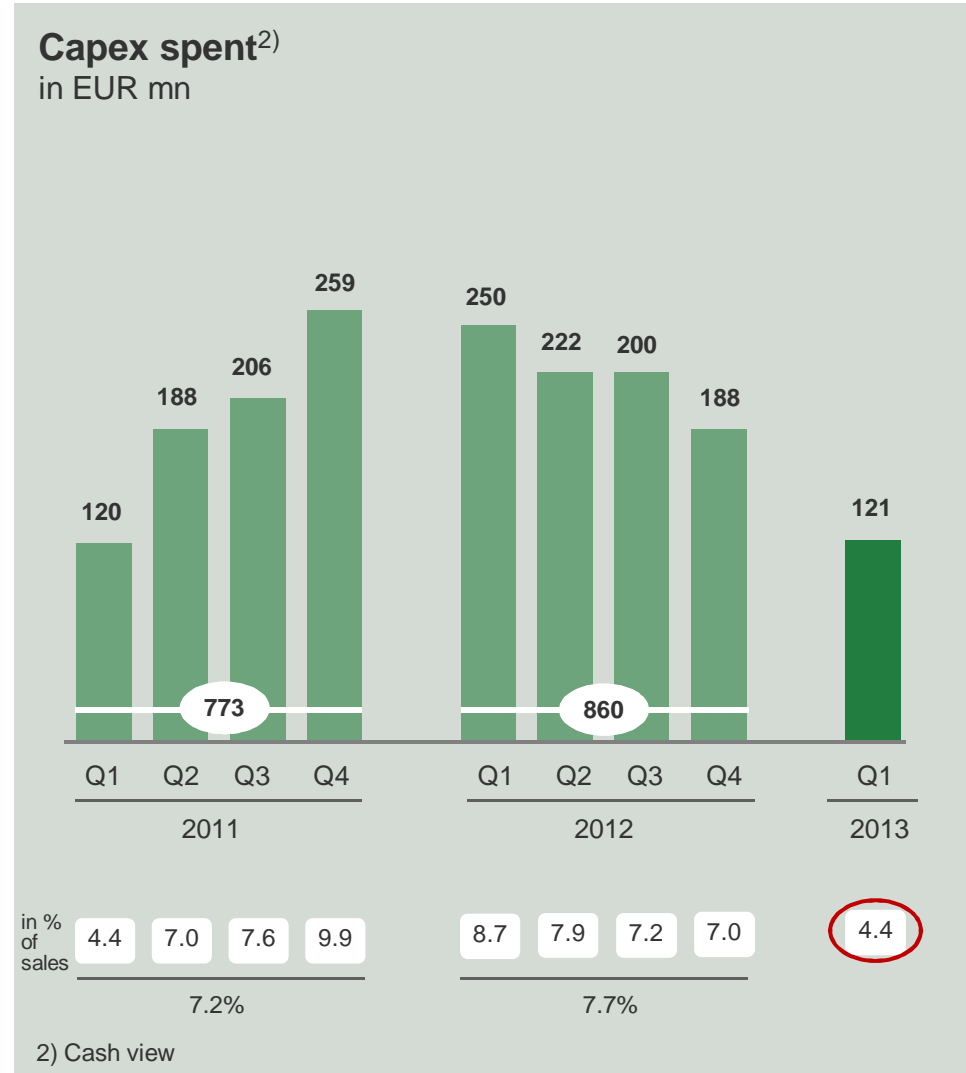
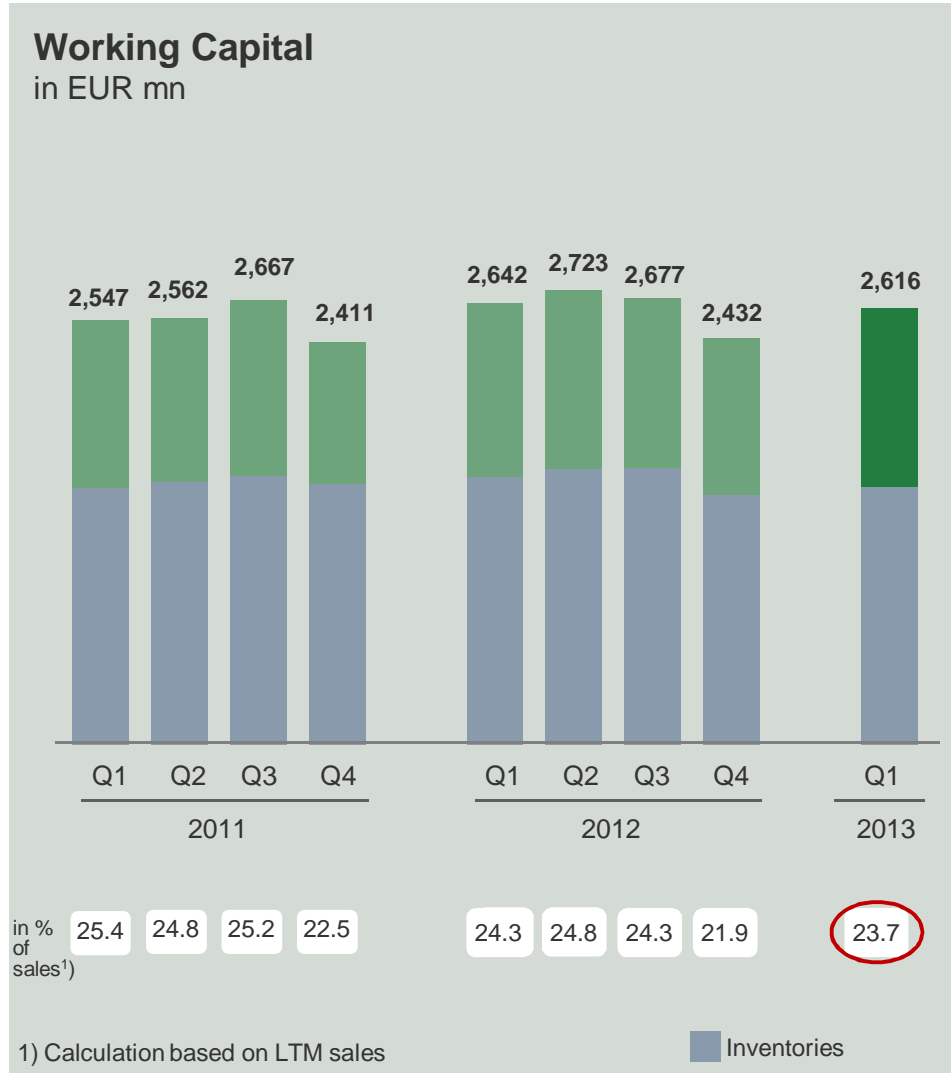
At equity result from Continental in EUR mn

	2012					2013
	Q1	Q2	Q3	Q4	FY	Q1
Net Income Continental	483	520	449	432	1,884	441
Conti shares (per 31/03/2013: 36,14%)	174	189	162	156	681	160
PPA	-38	-40	-38	-39	-155	-25
Dilution Loss/ Other	0	0	0	27	27	0
At Equity Result	136	149	124	144	553	135

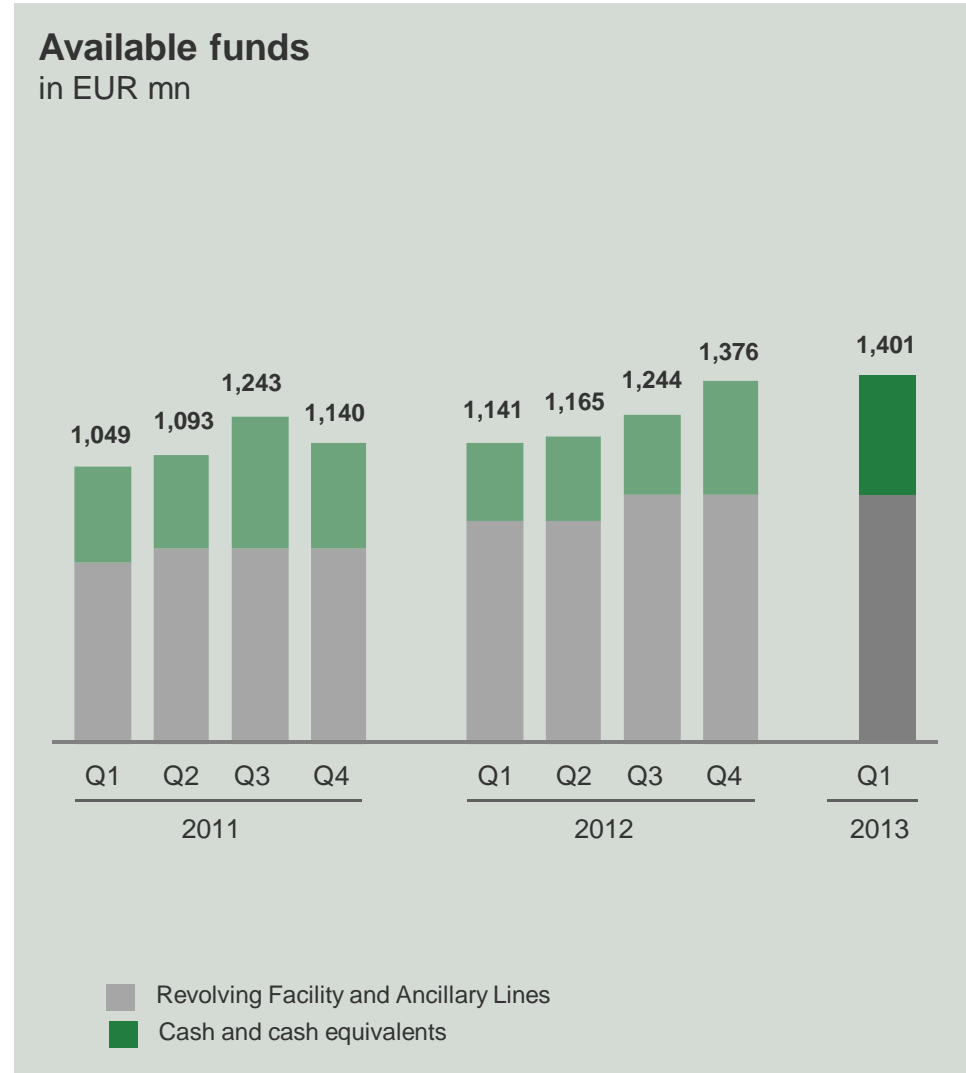
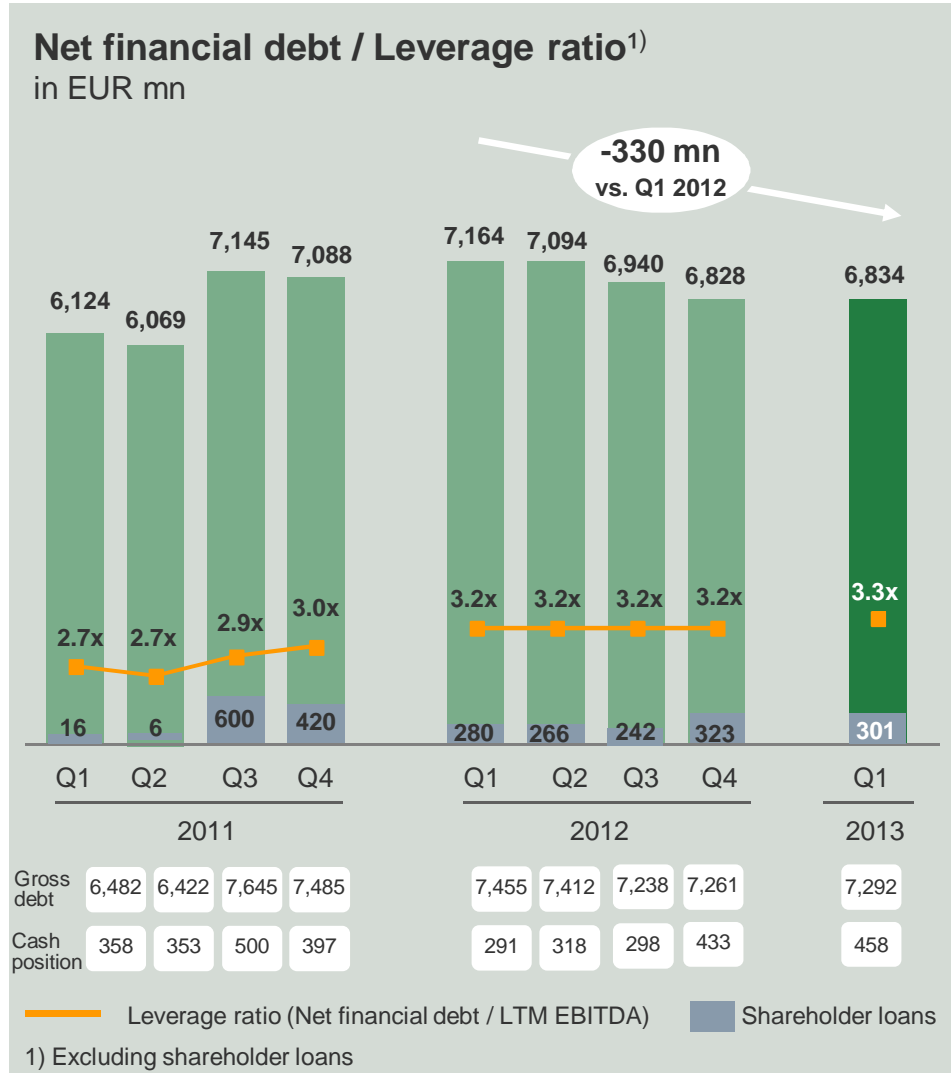
Free cash flow EUR 52 million



Working capital efficiency improved – Capex adjusted to market needs



Net financial debt reduced by EUR 330 million



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Main objectives of Senior Refinancing in April 2013 achieved

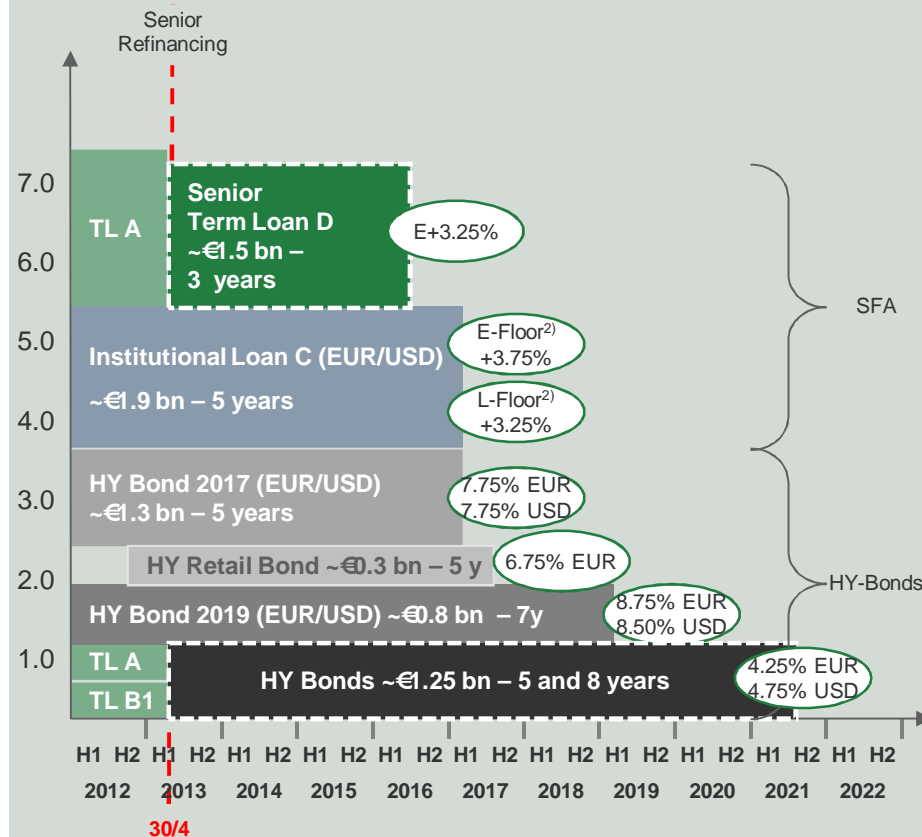
Key objectives

1	Extend maturity profile	<ul style="list-style-type: none">▶ Issue of 1.25 billion Euro equivalent Senior Secured Notes (EUR/USD)▶ Refinance Term Loan A with new Term Loan D, extend maturity of RCF
2	Improve financing terms	<ul style="list-style-type: none">▶ Enhance financing terms▶ Improve documentation and reduce complexity
3	Reduce financing costs	<ul style="list-style-type: none">▶ New Term Loan D and new RCF margins below existing Term Loan A▶ New bond coupons significantly below those from existing bonds

Further enhanced capital structure in line with improved credit quality of Schaeffler Group

Cost of debt further reduced – Maturity profile extended

Maturity profile¹⁾
in EUR mn, after transaction



1) Without Revolving Credit Facility of EUR 1.0 billion
2) Euribor-Floor and Libor-Floor 1.00%

Key aspects

- ▶ The existing tranches A und B1 were refinanced by (a) the issuance of additional high yield bonds, (b) the introduction of a new tranche D (refinancing tranche A) and (c) the mandatory and voluntary reduction of Senior Debt (to come end of May 2013)
- ▶ Terms and conditions of new tranche D margin was adjusted to those of institutional loans
- ▶ Maturity of new tranche D and new RCF was extended to June 30, 2016
- ▶ High yield bond issuance with tenors of 5 and 8 years significantly improve the total maturity profile of Senior indebtedness
- ▶ Maturities of institutional loans and existing high yield bonds remained unchanged
- ▶ Current financing mix is approx. 50% loans and 50% high yield bonds

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Guidance 2013 confirmed

Growth	
	Target 2013
Sales growth	~ 4 %
Capex	5-7 % of sales

Profitability	
	Target 2013
EBIT margin	~13 %
Free cash flow	Sustainably positive

Quality	
	Target 2013
Quality policy	Further improve
Employees	~ 2,000 new jobs

Innovation	
	Target 2013
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

www.schaeffler-group.com/ir

Financial Calendar 2013

Q2 2013 results: August 28, 2013

Q3 2013 results: November 19, 2013

Backup Capital structure

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as of April 23, 2013,
without Revolving
Credit Facility

Facility	Amount in EUR	Initial margins / cash interest	Maturity	Source
Senior Term Loan D	1,452 mn	EURIBOR +3.25%	Jun. 2016	Banks
Inst. Loan C (EUR)	625 mn	EURIBOR ¹⁾ +3.75%	Jan. 2017	Investors
Inst. Loan C (USD)	1,303 mn ³⁾	LIBOR ²⁾ +3.25%	Jan. 2017	Investors
Bond 2017 (EUR)	326 mn	6.75%	July 2017	Investors
Bond 2017 (EUR)	800 mn	7.75%	Feb. 2017	Investors
Bond 2017 (USD)	460 mn ³⁾	7.75%	Feb. 2017	Investors
Bond 2019 (EUR)	400 mn	8.75%	Feb. 2019	Investors
Bond 2019 (USD)	383 mn ³⁾	8.50%	Feb. 2019	Investors
New Bond 2018 (EUR)	600 mn	4.25%	May 2018	Investors
New Bond 2021 (USD)	652 mn ³⁾	4.75%	May 2021	Investors
Total⁴⁾	~ 7.0 bn			

1) EURIBOR-Floor of 1.00% 2) LIBOR-Floor of 1.00% 3) EUR/USD = 1.3044 USD 4) Without partial repayments from Continental dividend and excess cash flow

Bond data (1/2)

Issuer	Schaeffler Finance B.V.	Schaeffler Finance B.V.	Schaeffler Finance B.V.	Schaeffler Finance B.V.
Issue	Senior Secured Notes	Senior Secured Notes	Senior Secured Notes	Senior Secured Notes
Principal Amount	€800 mn	\$600 mn	€400 mn	\$500 mn
Offering Price	98.981%	98.981%	100.000%	100.000%
Rating	Ba3 (Moody's) B+ (S&P)	Ba3 (Moody's) B+ (S&P)	Ba3 (Moody's) B+ (S&P)	Ba3 (Moody's) B+ (S&P)
Coupon	7.75%	7.75%	8.75%	8.50%
Issue Date	February 9, 2012	February 9, 2012	February 9, 2012	February 9, 2012
Maturity	February 15, 2017	February 15, 2017	February 15, 2019	February 15, 2019
Interest Payment	Feb. 15 / Aug. 15	Feb. 15 / Aug. 15	Feb. 15 / Aug. 15	Feb. 15 / Aug. 15
ISIN	XS0741938624	US806261AC75	XS0741939788	US806261AA10
Denomination	€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

Bond data (2/2)

Issuer	Schaeffler Finance B.V.	Schaeffler Finance B.V.	Schaeffler Finance B.V.
Issue	Senior Secured Notes	Senior Secured Notes	Senior Secured Notes
Principal Amount	€326 mn	\$850 mn	€600 mn
Offering Price	98.981%	100.00%	100.00%
Rating	Ba3 (Moody's) B+ (S&P)	Ba3 (Moody's) B+ (S&P)	Ba3 (Moody's) B+ (S&P)
Coupon	6.75%	4.75%	4.25%
Issue Date	June 29, 2012	April 23, 2013	April 23, 2013
Maturity	July 1, 2017	May 15, 2021	May 15, 2018
Interest Payment	May 15 / Nov. 15	May 15 / Nov. 15	May 15 / Nov. 15
ISIN	XS0801261156	US806261AE32	XS0923613060
Denomination	€1,000 with minimum tradable amount €1,000	\$2,000 with minimum tradable amount \$200,000	€1,000 with minimum tradable amount €100,000

Useful links and references

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